

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

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HKB HOSPITALITY LLC D/B/A  
QUALITY INN BROWNSVILLE,

Plaintiff,

Case No.

-against-

**COMPLAINT**

MT. HAWLEY INSURANCE COMPANY,

Plaintiff demands a trial by jury

Defendant.  
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Plaintiff HKB Hospitality LLC d/b/a Quality Inn Brownsville ("Plaintiff") by its attorneys complaining of Mt. Hawley Insurance Company ("Defendant"), sets forth and alleges as follows:

**PARTIES**

1. Plaintiff is a Texas limited liability company which owns and operates a hotel, Quality Inn Brownsville, within the State of Texas located at 7051 Padre Island Hwy, Brownsville, Texas 78521.

2. Upon information and belief, Defendant, is a foreign corporation engaged in the business of insuring against property damage in the State of Texas. Said corporation can be served with process at its principal place of business at 9025 North Lindbergh Drive, Peoria, Illinois 61615. Plaintiff requests service at this time.

**JURISDICTION AND VENUE**

3. Plaintiff repeats and re-alleges each and every allegation contained in paragraphs marked and numbered "1" through "2" inclusive hereof, as if the same were more fully set forth at length herein.

4. This Court has jurisdiction over this lawsuit under 28 U.S.C. § 1332(a)(1) and under principles of supplemental jurisdiction (28 U.S.C. §1367) because Plaintiff and Defendant are citizens of different states and the amount in controversy exceeds \$75,000, excluding interest and costs. Furthermore, venue is proper as the subject insurance policy requires Plaintiff to submit to the jurisdiction of a court of competent jurisdiction in the State of New York.

**CONDITIONS PRECEDENT AND NOTICE**

5. Plaintiff repeats and re-alleges each and every allegation contained in paragraphs marked and numbered “1” through “4” inclusive hereof, as if the same were more fully set forth at length herein.

6. All conditions precedent to recovery have been performed, waived, or have occurred.

**AGENCY AND RESPONDEAT SUPERIOR**

7. Plaintiff repeats and re-alleges each and every allegation contained in paragraphs marked and numbered “1” through “6” inclusive hereof, as if the same were more fully set forth at length herein.

8. Whenever in this complaint it is alleged that Defendant did any act or omission, it is meant that Defendant itself or its agents, officers, servants, employees, and/or representatives did such act or omission, and it was done with the full authorization or ratification of Defendant or done in the normal routine, course, and scope of agency or employment of/by Defendant and its agents, officers, servants, employees, and/or representatives.

**FACTS**

9. Plaintiff repeats and re-alleges each and every allegation contained in paragraphs marked and numbered “1” through “8” inclusive hereof, as if the same were more fully set forth at length herein.

10. Plaintiff is the named insured under a commercial property insurance agreement—Policy No. MCP0171500 (the “Policy”)—issued by Defendant with effective dates of 8/18/2021 to 8/18/2022 (the “Policy Period”). *See* Exhibit A. The Policy insures, among other things, against losses from storm damage to Plaintiff’s property, namely, the real property and improvements located at 7051 Padre Island Hwy Brownsville, Texas 78521 (the “Property”).

11. During the policy period, a windstorm damaged the Property. The storm caused extensive damage to the Property, including but not limited to, damage to the roofing system, including laminate shingles and concrete tile. The property damage did not occur by any of the causes excluded under the Policy.

12. Plaintiff did all it could do to repair the Property upon first noticing damage to the building. Additionally, on April 1, 2022, Plaintiff timely gave proper notice to Defendant of the wind damage to the Property, reporting the date of loss as on or about September 30, 2021. Plaintiff asked that Defendant honor its contractual obligations under the Policy to cover the cost of repairs to the Property. Defendant assigned the loss Claim No. 508983 (the “Claim”).

13. Thereafter, Defendant assigned an adjuster, Lance Grigar (“Grigar”), to inspect the Property and adjust the loss. After a brief and cursory inspection, and despite the obvious presence of significant damage, Grigar determined that the storm-related damage to the Property was negligible and below the Policy deductible. Grigar further determined, without basis, that the remaining damage was wear and tear and therefore not covered by the Policy. During the

inspection, Grigar ignored Plaintiff and did not conduct the investigation in accordance with proper professional standards. Grigar misled Plaintiff by saying that the Policy does not cover the majority of the reported damage when, in fact, it does. More specifically, Grigar represented to Plaintiff that most of the damage was wear and tear. On July 21, 2022, Defendant sent a claim decision letter to Plaintiff, providing partial coverage in the amount of \$443.39—below the policy deductible—for the roof damage and denying the remainder of the Claim. Defendant's letter did not provide proper justification and explanation for its decisions.

14. Plaintiff obtained an independent evaluation of its damages which shows the Property sustained damage in the sum of \$235,532.03 as a result of the subject loss.

15. At all relevant times, Plaintiff had an insurable interest in the Property as the owner thereof.

16. Plaintiff has fully performed all the terms and conditions required under the Policy.

17. Defendant failed to conduct a reasonable investigation of the Claim, as it failed to fully inspect all damage to the Property and ignored obvious damage to the Property's roofing system, including laminate shingles and concrete tiles.

18. Defendant failed and refused to comply with the requirements of the Policy and breached the Policy by failing and refusing, without legitimate cause or justification, to pay the damages due to Plaintiff in an amount to be determined, plus interest and costs.

19. This action commenced within two years from the time of the loss.

20. By virtue of the foregoing, Plaintiff has been damaged in an amount to be proved, but believed to be \$235,532.03, subject to the policy deductible, or an appropriate amount to be determined by the Court, plus any and all additional damages available under the Policy or at law.

21. Defendant has also, in bad faith, failed and refused to participate in appraisal despite Plaintiff's timely invocation of the appraisal provision of the Policy, even though Defendant's adjuster conceded that the Property was damaged by wind.

### **CAUSES OF ACTION**

#### **I. Breach of Contract**

22. Plaintiff repeats and re-alleges each and every allegation contained in paragraphs marked and numbered "1" through "21" inclusive hereof, as if the same were more fully set forth at length herein.

23. At all relevant times, Plaintiff had an insurable interest in the Property as the owner thereof.

24. Plaintiff has fully performed all the terms and conditions required under the Policy.

25. Defendant failed to perform its obligations by failing to conduct a reasonable investigation of the Claim, by failing to fully inspect all damage to the Property, and by ignoring the obvious wind damage to the Property's roofing system, including laminate shingles and concrete tiles.

26. Defendant failed and refused to comply with the requirements of the Policy and breached the Policy by failing and refusing, without legitimate cause or justification, to pay the damages due to Plaintiff in an amount to be determined, plus interest and costs.

27. This action has commenced within two years from the time of the loss.

28. By virtue of the foregoing, Plaintiff has been damaged in an amount to be proved, but believed to be \$235,532.03, subject to the policy deductible, or an appropriate amount to be determined by the Court, plus any and all additional damages available under the Policy or at law.

### **DAMAGES**

29. Plaintiff repeats and re-alleges each and every allegation contained in paragraphs marked and numbered “1” through “28” inclusive hereof, as if the same were more fully set forth at length herein.

30. As a direct and proximate result of Defendant’s breaches, Plaintiff has been damaged in the sum of \$235,532.03 (subject to the policy deductible), plus interest and costs, plus any additional and further damages available under the Policy. Plaintiff also requests all other, further, and different relief to which Plaintiff may be entitled at law or in equity.

### **ATTORNEY’S FEES**

31. Plaintiff repeats and re-alleges each and every allegation contained in paragraphs marked and numbered “1” through “30” inclusive hereof, as if the same were more fully set forth at length herein.

32. As a result of Defendant’s breaches, Plaintiff has been forced to retain an attorney and seeks reimbursement for its reasonable attorney’s fees because Defendant conducted itself in bad faith, had no basis to challenge Plaintiff’s Claim, and no reasonable insurer would, under these facts, challenge, deny or ignore the Claim.

**WHEREFORE**, by reason of, as cause of and in consequence of Defendant’s misconduct, Plaintiff requests: (i) compensatory damages in an amount to be proved but believed to be \$235,532.03, subject to the policy deductible; (ii) interest from the date of loss to the date of the

award and payment of final judgment herein; (iii) reasonable attorney's fees; (iv) costs, expert and witness fees; and (v) for such other further and different relief as to the Court seem appropriate and just.

**JURY DEMAND**

Plaintiff demands a trial by jury as to all issues so triable.

Dated: January 16, 2023

Respectfully submitted,



**JOHN E. LAWLOR, ESQ.**

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**ZAR LAW FIRM**

/s/Matthew Zarghouni  
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*Attorneys for Plaintiff*

**Mt. Hawley Insurance Company**

9025 N. Lindbergh Drive  
 Peoria, Illinois 61615  
 309-692-1000

**Commercial Property Policy Declarations Page**

Policy No. MCP0171500

**Named Insured and Mailing Address:**

HBK Hospitality LLC  
 dba: Quality Inn Brownsville  
 7051 Padre Island Hwy  
 Brownsville, TX 78521

**Agent/Broker and Mailing Address:**

Southwest Risk, LP  
 8144 Walnut Hill Lane  
 Suite 1400  
 Dallas, TX 75231

**Policy Period:** From 08/18/2021 to 08/18/2022 at 12:01 A.M. Standard Time at your mailing address shown above.

**DESCRIPTION OF PREMISES**

Covered Locations Listed Below ::

7051 Padre Island Hwy, Brownsville, TX 78521

**CAUSES OF LOSS:** Special Including Equipment Breakdown excluding Earthquake and Flood

**LIMITS OF INSURANCE**

**Total coverage (limit) applicable Limit \$2,944,779**

Limitation applying to the following:

Business Income (and Extra Expense)

Monthly Limit of Indemnity 1/6

Refer to CPR 2162, Specified Limits Endorsement

**Per Occurrence Loss Limit**

At no time will we pay more than \$2,944,779 for a loss due to a single occurrence or event.

**DEDUCTIBLE(S):** Refer to CPR 2218, Declarations - Deductible Addendum

**FORMS MADE A PART OF THIS POLICY AT TIME OF ISSUE:** See CPR 2150, Applicable Forms & Endorsements

PCA Fees	\$ 175
Inspection Fees	\$300
Total Premium	\$ 16,231
Amount Payable At Inception	\$ 16,706

Authorized Signature

JY 8/20/2021

FRPR 100 (02/02)

Insured

Page 1 of 1



Policy Number: MCP0171500

Mt. Hawley Insurance Company

**DECLARATIONS - SUB-LIMIT ADDENDUM**

The total Limit of Liability as shown in the Declarations is subject to the following sub-limit(s). The sub-limit(s) shown is a limit or amount per occurrence, except for Earthquake and Flood where an annual aggregate applies. The sub-limit(s) shown are included in and do not increase the Limit of Liability shown in the Declarations. We will not, in any case, exceed this sub-limit(s) in one disaster, casualty or event, no matter how many locations are involved.

<b>Coverage Part or Item:</b>	<b>Sub-Limit</b>
Employee Dishonesty	\$10,000
Fire Department Service Charges	\$5,000
Reprogramming of Key Systems/Lock Replacement	\$10,000
Unnamed Locations	\$25,000

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **DECLARATIONS - DEDUCTIBLE ADDENDUM**

The following deductible wording is in addition to all other deductible wording found elsewhere in this policy. All other deductible wording found in and made a part of this policy also applies. Each claim for loss or damage will be adjusted separately.

\$10,000 Per Occurrence for All Covered Perils, except:

\$25,000 Per Occurrence for Windstorm or Hail

5.00% of the Total Insurable Values Per Location (including time element if applicable) at the time of loss or damage subject to a minimum of \$25,000 Per Occurrence for Named Storm

Total Insurable Values is defined as the full value of covered property, including time element if applicable, subject to the valuation terms and conditions of the policy. Total Insurable Values are calculated at the time of loss or damage.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**SPECIFIED LIMITS ENDORSEMENT**

Prem./ Loc. No.	Bldg. No.	Limit of Insurance	Type of Coverage	Coins. Percent	Val.*	Description & Location of Property Covered
00001	001	\$2,429,779	Building	80%	RCV	Built: 2009, Wood - Frame 7051 Padre Island Hwy Brownsville, TX 78521 Quality Inn
00001	001	\$250,000	Business Income (and Extra Expense)	N/A	ALS	Built: 2009, Wood - Frame 7051 Padre Island Hwy Brownsville, TX 78521 Quality Inn
00001	001	\$225,000	Business Personal Property	80%	RCV	Built: 2009, Wood - Frame 7051 Padre Island Hwy Brownsville, TX 78521 Quality Inn
00001	002	\$40,000	Outside Signs	80%	RCV	Built: 2009, Signs 7051 Padre Island Hwy Brownsville, TX 78521 Sign

\* Valuation. Indicate: ACV (Actual Cash Value), ALS (Actual Loss Sustained), RCV (Replacement Cost Value), SP (Selling Price) or SV (Stated Value).

ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.

Policy Number: MCP0171500

Mt. Hawley Insurance Company

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**APPLICABLE FORMS & ENDORSEMENTS**

FORMS AND ENDORSEMENTS LISTED BELOW APPLY TO AND ARE MADE PART OF THIS POLICY AT TIME OF ISSUE.

CPR-2147(02/04)	Declarations - SubLimit Addendum
CPR-2218(11/04)	Declarations - Deductible Addendum
CPR-2162(01/02)	Specified Limits Endorsement
CP-0010(06/07)	Building and Personal Property Coverage Form
CP-0030(06/07)	Business Income (and Extra Expense) Coverage Form
CP-1030(06/07)	Causes Of Loss - Special Form
CP-0090(07/88)	Commercial Property Conditions
CPR-2270(05/10)	Equipment Breakdown Coverage Endorsement
IL-0017(11/98)	Common Policy Conditions
CP-0415(10/00)	Debris Removal Additional Insurance
CP-1440(06/07)	Outdoor Signs
CPR-2152F(02/04)	Electronic Data Processing Endorsement
CPR-2170(03/02)	Valuable Papers and Records
CPR-2177(03/02)	Accounts Receivable
CPR-2207(03/02)	Mortgagee Endorsement
CPR-2209(11/13)	Ordinance or Law Coverage - Combined Limit
CPR-2268(11/20)	Protective Safeguard Endorsement
CPR-2274(03/21)	Minimum Earned Premium Endorsement
CPR-2276(04/12)	Non-Payment Of Premium
CPR-2281(12/14)	Nuclear, Biological, Chemical, or Radioactive Exclusion
CPR-2284(04/15)	Fire Protection Equipment Recharge Endorsement
CPR-2302(10/17)	Money And Securities
CPR-2303(10/17)	Guest Property
CPR-2304(10/17)	Reprogramming Of Key Systems/Lock Replacement
CPR-2315(07/20)	Newly Acquired Property Endorsement
CP-1032(08/08)	Water Exclusion Endorsement
CPR-2117(08/15)	Definition of Occurrence
CPR-2230(03/08)	Terrorism Exclusion
CPR-2261(09/04)	Fire Department Service Charge Endorsement
CPR-2263(11/04)	Unnamed Locations Extension
CPR-2269(06/09)	Asbestos Exclusion
CPR-2286(05/15)	Property In Transit Additional Coverage

**APPLICABLE FORMS & ENDORSEMENTS**  
**(cont'd)**

CPR-2291(08/15)	Named Storm Definition
CPR-2295(04/20)	Windstorm Or Hail Loss Reporting Limitation Addendum
CPR-2301(10/17)	Employee Dishonesty
CPR-2308(12/18)	Pre-Existing Damage Exclusion
CPR-2310(04/20)	Appraisal
CPR-2311(04/20)	Legal Action Conditions Endorsement
CPR-2313(04/21)	Cyber And Computer Related Loss Exclusion
CPR-2314(07/20)	Communicable Disease Exclusion
CPR-2316(08/20)	Total Pollution Exclusion
CPR-2320(04/21)	Amended Limitations
RIL-099(04/20)	Service Of Suit
ILF-0001C(04/16)	Signature Page

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

## BUILDING AND PERSONAL PROPERTY COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we", "us" and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section H. **Definitions**.

### A. Coverage

We will pay for direct physical loss of or damage to Covered Property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss.

#### 1. Covered Property

Covered Property, as used in this Coverage Part, means the type of property described in this section, **A. 1.**, and limited in **A. 2. Property Not Covered**, if a Limit of Insurance is shown in the Declarations for that type of property.

**a. Building**, meaning the building or structure described in the Declarations, including:

- (1) Completed additions;
- (2) Fixtures, including outdoor fixtures;
- (3) Permanently installed:
  - (a) Machinery and
  - (b) Equipment;
- (4) Personal property owned by you that is used to maintain or service the building or structure or its premises, including:
  - (a) Fire-extinguishing equipment;
  - (b) Outdoor furniture;
  - (c) Floor coverings; and
  - (d) Appliances used for refrigerating, ventilating, cooking, dishwashing or laundering;
- (5) If not covered by other insurance:

(a) Additions under construction, alterations and repairs to the building or structure;

(b) Materials, equipment, supplies and temporary structures, on or within 100 feet of the described premises, used for making additions, alterations or repairs to the building or structure.

**b. Your Business Personal Property** located in or on the building described in the Declarations or in the open (or in a vehicle) within 100 feet of the described premises, consisting of the following unless otherwise specified in the Declarations or on the Your Business Personal Property – Separation Of Coverage form:

- (1) Furniture and fixtures;
- (2) Machinery and equipment;
- (3) "Stock";
- (4) All other personal property owned by you and used in your business;
- (5) Labor, materials or services furnished or arranged by you on personal property of others;
- (6) Your use interest as tenant in improvements and betterments. Improvements and betterments are fixtures, alterations, installations or additions:
  - (a) Made a part of the building or structure you occupy but do not own; and
  - (b) You acquired or made at your expense but cannot legally remove;

- (7) Leased personal property for which you have a contractual responsibility to insure, unless otherwise provided for under Personal Property Of Others.

**c. Personal Property Of Others** that is:

- (1) In your care, custody or control; and
- (2) Located in or on the building described in the Declarations or in the open (or in a vehicle) within 100 feet of the described premises.

However, our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

**2. Property Not Covered**

Covered Property does not include:

- a. Accounts, bills, currency, food stamps or other evidences of debt, money, notes or securities. Lottery tickets held for sale are not securities;
- b. Animals, unless owned by others and boarded by you, or if owned by you, only as "stock" while inside of buildings;
- c. Automobiles held for sale;
- d. Bridges, roadways, walks, patios or other paved surfaces;
- e. Contraband, or property in the course of illegal transportation or trade;
- f. The cost of excavations, grading, backfilling or filling;
- g. Foundations of buildings, structures, machinery or boilers if their foundations are below:
  - (1) The lowest basement floor; or
  - (2) The surface of the ground, if there is no basement;
- h. Land (including land on which the property is located), water, growing crops or lawns;
- i. Personal property while airborne or waterborne;
- j. Bulkheads, pilings, piers, wharves or docks;

- k. Property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due (whether you can collect on it or not) from that other insurance;

- l. Retaining walls that are not part of a building;

- m. Underground pipes, flues or drains;

- n. Electronic data, except as provided under the Additional Coverage, Electronic Data. Electronic data means information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic data, means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data. This paragraph, n., does not apply to your "stock" of prepackaged software;

- o. The cost to replace or restore the information on valuable papers and records, including those which exist as electronic data. Valuable papers and records include but are not limited to proprietary information, books of account, deeds, manuscripts, abstracts, drawings and card index systems. Refer to the Coverage Extension for Valuable Papers And Records (Other Than Electronic Data) for limited coverage for valuable papers and records other than those which exist as electronic data;

- p. Vehicles or self-propelled machines (including aircraft or watercraft) that:

- (1) Are licensed for use on public roads; or
- (2) Are operated principally away from the described premises.

This paragraph does not apply to:

- (a) Vehicles or self-propelled machines or autos you manufacture, process or warehouse;
- (b) Vehicles or self-propelled machines, other than autos, you hold for sale;



(c) Rowboats or canoes out of water at the described premises; or

(d) Trailers, but only to the extent provided for in the Coverage Extension for Non-owned Detached Trailers;

q. The following property while outside of buildings:

(1) Grain, hay, straw or other crops;

(2) Fences, radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers, trees, shrubs or plants (other than "stock" of trees, shrubs or plants), all except as provided in the Coverage Extensions.

### 3. Covered Causes Of Loss

See applicable Causes Of Loss Form as shown in the Declarations.

### 4. Additional Coverages

#### a. Debris Removal

(1) Subject to Paragraphs (3) and (4), we will pay your expense to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the date of direct physical loss or damage.

(2) Debris Removal does not apply to costs to:

(a) Extract "pollutants" from land or water; or

(b) Remove, restore or replace polluted land or water.

(3) Subject to the exceptions in Paragraph (4), the following provisions apply:

(a) The most we will pay for the total of direct physical loss or damage plus debris removal expense is the Limit of Insurance applicable to the Covered Property that has sustained loss or damage.

(b) Subject to (a) above, the amount we will pay for debris removal expense is limited to 25% of the sum of the

deductible plus the amount that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage.

(4) We will pay up to an additional \$10,000 for debris removal expense, for each location, in any one occurrence of physical loss or damage to Covered Property, if one or both of the following circumstances apply:

(a) The total of the actual debris removal expense plus the amount we pay for direct physical loss or damage exceeds the Limit of Insurance on the Covered Property that has sustained loss or damage.

(b) The actual debris removal expense exceeds 25% of the sum of the deductible plus the amount that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage.

Therefore, if (4) (a) and/or (4) (b) apply, our total payment for direct physical loss or damage and debris removal expense may reach but will never exceed the Limit of Insurance on the Covered Property that has sustained loss or damage, plus \$10,000.

#### (5) Examples

The following examples assume that there is no Coinsurance penalty.

##### EXAMPLE #1

Limit of Insurance: \$ 90,000

Amount of Deductible: \$ 500

Amount of Loss: \$ 50,000

Amount of Loss Payable: \$ 49,500

(\$50,000 - \$500)

Debris Removal Expense: \$ 10,000

Debris Removal Expense Payable: \$ 10,000

(\$10,000 is 20% of \$50,000.)

The debris removal expense is less than 25% of the sum of the loss payable plus the deductible. The sum of the



loss payable and the debris removal expense (\$49,500 + \$10,000 = \$59,500) is less than the Limit of Insurance. Therefore the full amount of debris removal expense is payable in accordance with the terms of Paragraph (3).

#### EXAMPLE #2

Limit of Insurance:	\$ 90,000
Amount of Deductible:	\$ 500
Amount of Loss:	\$ 80,000
Amount of Loss Payable:	\$ 79,500
	(\$80,000 - \$500)
Debris Removal Expense:	\$ 30,000

#### Debris Removal Expense Payable

Basic Amount: \$ 10,500

Additional Amount: \$ 10,000

The basic amount payable for debris removal expense under the terms of Paragraph (3) is calculated as follows: \$80,000 (\$79,500 + \$500) x .25 = \$20,000; capped at \$10,500. The cap applies because the sum of the loss payable (\$79,500) and the basic amount payable for debris removal expense (\$10,500) cannot exceed the Limit of Insurance (\$90,000).

The additional amount payable for debris removal expense is provided in accordance with the terms of Paragraph (4), because the debris removal expense (\$30,000) exceeds 25% of the loss payable plus the deductible (\$30,000 is 37.5% of \$80,000), and because the sum of the loss payable and debris removal expense (\$79,500 + \$30,000 = \$109,500) would exceed the Limit of Insurance (\$90,000). The additional amount of covered debris removal expense is \$10,000, the maximum payable under Paragraph (4). Thus the total payable for debris removal expense in this example is \$20,500; \$9,500 of the debris removal expense is not covered.

#### b. Preservation Of Property

If it is necessary to move Covered Property from the described premises to preserve it from loss or damage by a Covered Cause of Loss, we will pay for any direct physical loss or damage to that property:

- (1) While it is being moved or while temporarily stored at another location; and
- (2) Required by local ordinance. No Deductible applies to this Additional Coverage.

#### c. Fire Department Service Charge

When the fire department is called to save or protect Covered Property from a Covered Cause of Loss, we will pay up to \$1,000, unless a higher limit is shown in the Declarations, for your liability for fire department service charges:

- (1) Assumed by contract or agreement prior to loss; or
- (2) Required by local ordinance.

No Deductible applies to this Additional Coverage.

#### d. Pollutant Clean-up And Removal

We will pay your expense to extract "pollutants" from land or water at the described premises if the discharge, dispersal, seepage, migration, release or escape of the "pollutants" is caused by or results from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the date on which the Covered Cause of Loss occurs.

This Additional Coverage does not apply to costs to test for, monitor or assess the existence, concentration or effects of "pollutants". But we will pay for testing which is performed in the course of extracting the "pollutants" from the land or water.

The most we will pay under this Additional Coverage for each described premises is \$10,000 for the sum of all covered expenses arising out of Covered Causes of Loss occurring during each separate 12-month period of this policy.

#### e. Increased Cost Of Construction

- (1) This Additional Coverage applies only to buildings to which the Replacement Cost Optional Coverage applies.
- (2) In the event of damage by a Covered Cause of Loss to a building that is Covered Property, we will pay the increased costs incurred to comply with enforcement of an ordinance or law in the course of repair, rebuilding or replacement of damaged parts of that property, subject to the limitations stated in e. (3) through e. (9) of this Additional Coverage.

- (3) The ordinance or law referred to in e. (2) of this Additional Coverage is an ordinance or law that regulates the construction or repair of buildings or establishes zoning or land use requirements at the described premises, and is in force at the time of loss.
- (4) Under this Additional Coverage, we will not pay any costs due to an ordinance or law that:
- (a) You were required to comply with before the loss, even when the building was undamaged; and
  - (b) You failed to comply with.
- (5) Under this Additional Coverage, we will not pay for:
- (a) The enforcement of any ordinance or law which requires demolition, repair, replacement, reconstruction, remodeling or remediation of property due to contamination by "pollutants" or due to the presence, growth, proliferation, spread or any activity of "fungus", wet or dry rot or bacteria; or
  - (b) Any costs associated with the enforcement of an ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants", "fungus", wet or dry rot or bacteria.
- (6) The most we will pay under this Additional Coverage, for each described building insured under this Coverage Form, is \$10,000 or 5% of the Limit of Insurance applicable to that building, whichever is less. If a damaged building is covered under a blanket Limit of Insurance which applies to more than one building or item of property, then the most we will pay under this Additional Coverage, for that damaged building, is the lesser of: \$10,000 or 5% times the value of the damaged building as of the time of loss times the applicable Coinsurance percentage.
- The amount payable under this Additional Coverage is additional insurance.
- (7) With respect to this Additional Coverage:
- (a) We will not pay for the Increased Cost of Construction:
    - (i) Until the property is actually repaired or replaced, at the same or another premises; and
    - (ii) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed two years. We may extend this period in writing during the two years.
  - (b) If the building is repaired or replaced at the same premises, or if you elect to rebuild at another premises, the most we will pay for the Increased Cost of Construction, subject to the provisions of e. (6) of this Additional Coverage, is the increased cost of construction at the same premises.
  - (c) If the ordinance or law requires relocation to another premises, the most we will pay for the Increased Cost of Construction, subject to the provisions of e. (6) of this Additional Coverage, is the increased cost of construction at the new premises.
- (8) This Additional Coverage is not subject to the terms of the Ordinance Or Law Exclusion, to the extent that such Exclusion would conflict with the provisions of this Additional Coverage.
- (9) The costs addressed in the Loss Payment and Valuation Conditions, and the Replacement Cost Optional Coverage, in this Coverage Form, do not include the increased cost attributable to enforcement of an ordinance or law. The amount payable under this Additional Coverage, as stated in e. (6) of this Additional Coverage, is not subject to such limitation.
- f. Electronic Data**
- (1) Under this Additional Coverage, electronic data has the meaning described under Property Not Covered, Electronic Data.

- (2) Subject to the provisions of this Additional Coverage, we will pay for the cost to replace or restore electronic data which has been destroyed or corrupted by a Covered Cause of Loss. To the extent that electronic data is not replaced or restored, the loss will be valued at the cost of replacement of the media on which the electronic data was stored, with blank media of substantially identical type.
- (3) The Covered Causes of Loss applicable to Your Business Personal Property apply to this Additional Coverage, Electronic Data, subject to the following:
  - (a) If the Causes Of Loss – Special Form applies, coverage under this Additional Coverage, Electronic Data, is limited to the "specified causes of loss" as defined in that form, and Collapse as set forth in that form.
  - (b) If the Causes Of Loss – Broad Form applies, coverage under this Additional Coverage, Electronic Data, includes Collapse as set forth in that form.
  - (c) If the Causes Of Loss Form is endorsed to add a Covered Cause of Loss, the additional Covered Cause of Loss does not apply to the coverage provided under this Additional Coverage, Electronic Data.
  - (d) The Covered Causes of Loss include a virus, harmful code or similar instruction introduced into or enacted on a computer system (including electronic data) or a network to which it is connected, designed to damage or destroy any part of the system or disrupt its normal operation. But there is no coverage for loss or damage caused by or resulting from manipulation of a computer system (including electronic data) by any employee, including a temporary or leased employee, or by an entity retained by you or for you to inspect, design, install, modify, maintain, repair or replace that system.
- (4) The most we will pay under this Additional Coverage, Electronic Data, is \$2,500 for all loss or damage sustained in any one policy year, regardless of the number of occurrences of loss or damage or the number of premises, locations or

computer systems involved. If loss payment on the first occurrence does not exhaust this amount, then the balance is available for subsequent loss or damage sustained in but not after that policy year. With respect to an occurrence which begins in one policy year and continues or results in additional loss or damage in a subsequent policy year(s), all loss or damage is deemed to be sustained in the policy year in which the occurrence began.

## 5. Coverage Extensions

Except as otherwise provided, the following Extensions apply to property located in or on the building described in the Declarations or in the open (or in a vehicle) within 100 feet of the described premises.

If a Coinsurance percentage of 80% or more, or a Value Reporting period symbol, is shown in the Declarations, you may extend the insurance provided by this Coverage Part as follows:

### a. Newly Acquired Or Constructed Property

#### (1) Buildings

If this policy covers Building, you may extend that insurance to apply to:

- (a) Your new buildings while being built on the described premises; and
- (b) Buildings you acquire at locations, other than the described premises, intended for:
  - (i) Similar use as the building described in the Declarations; or
  - (ii) Use as a warehouse.

The most we will pay for loss or damage under this Extension is \$250,000 at each building.

#### (2) Your Business Personal Property

- (a) If this policy covers Your Business Personal Property, you may extend that insurance to apply to:
  - (i) Business personal property, including such property that you newly acquire, at any location you acquire other than at fairs, trade shows or exhibitions;

(ii) Business personal property, including such property that you newly acquire, located at your newly constructed or acquired buildings at the location described in the Declarations; or

(iii) Business personal property that you newly acquire, located at the described premises.

The most we will pay for loss or damage under this Extension is \$100,000 at each building.

(b) This Extension does not apply to:

(i) Personal property of others that is temporarily in your possession in the course of installing or performing work on such property; or

(ii) Personal property of others that is temporarily in your possession in the course of your manufacturing or wholesaling activities.

### (3) Period Of Coverage

With respect to insurance on or at each newly acquired or constructed property, coverage will end when any of the following first occurs:

(a) This policy expires;

(b) 30 days expire after you acquire the property or begin construction of that part of the building that would qualify as covered property; or

(c) You report values to us.

We will charge you additional premium for values reported from the date you acquire the property or begin construction of that part of the building that would qualify as covered property.

### b. Personal Effects And Property Of Others

You may extend the insurance that applies to Your Business Personal Property to apply to:

(1) Personal effects owned by you, your officers, your partners or members, your managers or your employees. This Extension does not apply to loss or damage by theft.

(2) Personal property of others in your care, custody or control.

The most we will pay for loss or damage under this Extension is \$2,500 at each described premises. Our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

### c. Valuable Papers And Records (Other Than Electronic Data)

(1) You may extend the insurance that applies to Your Business Personal Property to apply to the cost to replace or restore the lost information on valuable papers and records for which duplicates do not exist. But this Extension does not apply to valuable papers and records which exist as electronic data. Electronic data has the meaning described under Property Not Covered, Electronic Data.

(2) If the Causes Of Loss – Special Form applies, coverage under this Extension is limited to the "specified causes of loss" as defined in that form, and Collapse as set forth in that form.

(3) If the Causes Of Loss – Broad Form applies, coverage under this Extension includes Collapse as set forth in that form.

(4) Under this Extension, the most we will pay to replace or restore the lost information is \$2,500 at each described premises, unless a higher limit is shown in the Declarations. Such amount is additional insurance. We will also pay for the cost of blank material for reproducing the records (whether or not duplicates exist), and (when there is a duplicate) for the cost of labor to transcribe or copy the records. The costs of blank material and labor are subject to the applicable Limit of Insurance on Your Business Personal Property and therefore coverage of such costs is not additional insurance.

### d. Property Off-premises

(1) You may extend the insurance provided by this Coverage Form to apply to your Covered Property while it is away from the described premises, if it is:



(a) Temporarily at a location you do not own, lease or operate;

(b) In storage at a location you lease, provided the lease was executed after the beginning of the current policy term; or

(c) At any fair, trade show or exhibition.

(2) This Extension does not apply to property:

(a) In or on a vehicle; or

(b) In the care, custody or control of your salespersons, unless the property is in such care, custody or control at a fair, trade show or exhibition.

(3) The most we will pay for loss or damage under this Extension is \$10,000.

#### e. Outdoor Property

You may extend the insurance provided by this Coverage Form to apply to your outdoor fences, radio and television antennas (including satellite dishes), trees, shrubs and plants (other than "stock" of trees, shrubs or plants), including debris removal expense, caused by or resulting from any of the following causes of loss if they are Covered Causes of Loss:

(1) Fire;

(2) Lightning;

(3) Explosion;

(4) Riot or Civil Commotion; or

(5) Aircraft.

The most we will pay for loss or damage under this Extension is \$1,000, but not more than \$250 for any one tree, shrub or plant. These limits apply to any one occurrence, regardless of the types or number of items lost or damaged in that occurrence.

#### f. Non-owned Detached Trailers

(1) You may extend the insurance that applies to Your Business Personal Property to apply to loss or damage to trailers that you do not own, provided that:

(a) The trailer is used in your business;

(b) The trailer is in your care, custody or control at the premises described in the Declarations; and

(c) You have a contractual responsibility to pay for loss or damage to the trailer.

(2) We will not pay for any loss or damage that occurs:

(a) While the trailer is attached to any motor vehicle or motorized conveyance, whether or not the motor vehicle or motorized conveyance is in motion;

(b) During hitching or unhitching operations, or when a trailer becomes accidentally unhitched from a motor vehicle or motorized conveyance.

(3) The most we will pay for loss or damage under this Extension is \$5,000, unless a higher limit is shown in the Declarations.

(4) This insurance is excess over the amount due (whether you can collect on it or not) from any other insurance covering such property.

Each of these Extensions is additional insurance unless otherwise indicated. The Additional Condition, Coinsurance, does not apply to these Extensions.

#### B. Exclusions And Limitations

See applicable Causes Of Loss Form as shown in the Declarations.

#### C. Limits Of Insurance

The most we will pay for loss or damage in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

The most we will pay for loss or damage to outdoor signs, whether or not the sign is attached to a building, is \$2,500 per sign in any one occurrence.

The amounts of insurance stated in the following Additional Coverages apply in accordance with the terms of such coverages and are separate from the Limit(s) of Insurance shown in the Declarations for any other coverage:

1. Fire Department Service Charge;

2. Pollutant Clean-up And Removal;
3. Increased Cost Of Construction; and
4. Electronic Data.

Payments under the Preservation Of Property Additional Coverage will not increase the applicable Limit of Insurance.

#### D. Deductible

In any one occurrence of loss or damage (hereinafter referred to as loss), we will first reduce the amount of loss if required by the Coinsurance Condition or the Agreed Value Optional Coverage. If the adjusted amount of loss is less than or equal to the Deductible, we will not pay for that loss. If the adjusted amount of loss exceeds the Deductible, we will then subtract the Deductible from the adjusted amount of loss, and will pay the resulting amount or the Limit of Insurance, whichever is less.

When the occurrence involves loss to more than one item of Covered Property and separate Limits of Insurance apply, the losses will not be combined in determining application of the Deductible. But the Deductible will be applied only once per occurrence.

#### EXAMPLE #1

(This example assumes there is no Coinsurance penalty.)

Deductible:	\$ 250
Limit of Insurance – Building #1:	\$ 60,000
Limit of Insurance – Building #2:	\$ 80,000
Loss to Building #1:	\$ 60,100
Loss to Building #2:	\$ 90,000

The amount of loss to Building #1 (\$60,100) is less than the sum (\$60,250) of the Limit of Insurance applicable to Building #1 plus the Deductible.

The Deductible will be subtracted from the amount of loss in calculating the loss payable for Building #1:

\$60,100	
– 250	
<u>\$59,850</u>	Loss Payable – Building #1

The Deductible applies once per occurrence and therefore is not subtracted in determining the amount of loss payable for Building #2. Loss payable for Building #2 is the Limit of Insurance of \$80,000.

Total amount of loss payable:

$$\$59,850 + \$80,000 = \$139,850$$

#### EXAMPLE #2

(This example, too, assumes there is no Coinsurance penalty.)

The Deductible and Limits of Insurance are the same as those in Example #1.

Loss to Building #1:	\$ 70,000
(Exceeds Limit of Insurance plus Deductible)	
Loss to Building #2:	\$ 90,000
(Exceeds Limit of Insurance plus Deductible)	
Loss Payable – Building #1:	\$ 60,000
(Limit of Insurance)	
Loss Payable – Building #2:	\$ 80,000
(Limit of Insurance)	
Total amount of loss payable:	\$140,000

#### E. Loss Conditions

The following conditions apply in addition to the Common Policy Conditions and the Commercial Property Conditions.

##### 1. Abandonment

There can be no abandonment of any property to us.

##### 2. Appraisal

If we and you disagree on the value of the property or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the value of the property and amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

### 3. Duties In The Event Of Loss Or Damage

- a. You must see that the following are done in the event of loss or damage to Covered Property:

- (1) Notify the police if a law may have been broken.
- (2) Give us prompt notice of the loss or damage. Include a description of the property involved.
- (3) As soon as possible, give us a description of how, when and where the loss or damage occurred.
- (4) Take all reasonable steps to protect the Covered Property from further damage, and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the Limit of Insurance. However, we will not pay for any subsequent loss or damage resulting from a cause of loss that is not a Covered Cause of Loss. Also, if feasible, set the damaged property aside and in the best possible order for examination.
- (5) At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.
- (6) As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records.

Also permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.

- (7) Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.

- (8) Cooperate with us in the investigation or settlement of the claim.

- b. We may examine any insured under oath, while not in the presence of any other insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including an insured's books and records. In the event of an examination, an insured's answers must be signed.

### 4. Loss Payment

- a. In the event of loss or damage covered by this Coverage Form, at our option, we will either:

- (1) Pay the value of lost or damaged property;
- (2) Pay the cost of repairing or replacing the lost or damaged property, subject to b. below;
- (3) Take all or any part of the property at an agreed or appraised value; or
- (4) Repair, rebuild or replace the property with other property of like kind and quality, subject to b. below.

We will determine the value of lost or damaged property, or the cost of its repair or replacement, in accordance with the applicable terms of the Valuation Condition in this Coverage Form or any applicable provision which amends or supersedes the Valuation Condition.

- b. The cost to repair, rebuild or replace does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.
- c. We will give notice of our intentions within 30 days after we receive the sworn proof of loss.
- d. We will not pay you more than your financial interest in the Covered Property.
- e. We may adjust losses with the owners of lost or damaged property if other than you. If we pay the owners, such payments will satisfy your claims against us for the owners' property. We will not pay the owners more than their financial interest in the Covered Property.

f. We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.

g. We will pay for covered loss or damage within 30 days after we receive the sworn proof of loss, if you have complied with all of the terms of this Coverage Part and:

(1) We have reached agreement with you on the amount of loss; or

(2) An appraisal award has been made.

h. A party wall is a wall that separates and is common to adjoining buildings that are owned by different parties. In settling covered losses involving a party wall, we will pay a proportion of the loss to the party wall based on your interest in the wall in proportion to the interest of the owner of the adjoining building. However, if you elect to repair or replace your building and the owner of the adjoining building elects not to repair or replace that building, we will pay you the full value of the loss to the party wall, subject to all applicable policy provisions including Limits of Insurance, the Valuation and Coinsurance Conditions and all other provisions of this Loss Payment Condition. Our payment under the provisions of this paragraph does not alter any right of subrogation we may have against any entity, including the owner or insurer of the adjoining building, and does not alter the terms of the Transfer Of Rights Of Recovery Against Others To Us Condition in this policy.

## 5. Recovered Property

If either you or we recover any property after loss settlement, that party must give the other prompt notice. At your option, the property will be returned to you. You must then return to us the amount we paid to you for the property. We will pay recovery expenses and the expenses to repair the recovered property, subject to the Limit of Insurance.

## 6. Vacancy

### a. Description Of Terms

(1) As used in this Vacancy Condition, the term building and the term vacant have the meanings set forth in (1) (a) and (1) (b) below:

(a) When this policy is issued to a tenant, and with respect to that tenant's interest in Covered Property, building

means the unit or suite rented or leased to the tenant. Such building is vacant when it does not contain enough business personal property to conduct customary operations.

(b) When this policy is issued to the owner or general lessee of a building, building means the entire building. Such building is vacant unless at least 31% of its total square footage is:

(i) Rented to a lessee or sub-lessee and used by the lessee or sub-lessee to conduct its customary operations; and/or

(ii) Used by the building owner to conduct customary operations.

(2) Buildings under construction or renovation are not considered vacant.

### b. Vacancy Provisions

If the building where loss or damage occurs has been vacant for more than 60 consecutive days before that loss or damage occurs:

(1) We will not pay for any loss or damage caused by any of the following even if they are Covered Causes of Loss:

(a) Vandalism;

(b) Sprinkler leakage, unless you have protected the system against freezing;

(c) Building glass breakage;

(d) Water damage;

(e) Theft; or

(f) Attempted theft.

(2) With respect to Covered Causes of Loss other than those listed in b. (1) (a) through b. (1) (f) above, we will reduce the amount we would otherwise pay for the loss or damage by 15%.

## 7. Valuation

We will determine the value of Covered Property in the event of loss or damage as follows:



- a. At actual cash value as of the time of loss or damage, except as provided in **b.**, **c.**, **d.** and **e.** below,
- b. If the Limit of Insurance for Building satisfies the Additional Condition, Coinsurance, and the cost to repair or replace the damaged building property is \$2,500 or less, we will pay the cost of building repairs or replacement.

The cost of building repairs or replacement does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.

However, the following property will be valued at the actual cash value even when attached to the building:

- (1) Awnings or floor coverings;
- (2) Appliances for refrigerating, ventilating, cooking, dishwashing or laundering; or
- (3) Outdoor equipment or furniture.
- c. "Stock" you have sold but not delivered at the selling price less discounts and expenses you otherwise would have had.
- d. Glass at the cost of replacement with safety-glazing material if required by law.
- e. Tenants' Improvements and Betterments at:
  - (1) Actual cash value of the lost or damaged property if you make repairs promptly.
  - (2) A proportion of your original cost if you do not make repairs promptly. We will determine the proportionate value as follows:
    - (a) Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and
    - (b) Divide the amount determined in (a) above by the number of days from the installation of improvements to the expiration of the lease.

If your lease contains a renewal option, the expiration of the renewal option period will replace the expiration of the lease in this procedure.
  - (3) Nothing if others pay for repairs or replacement.

## F. Additional Conditions

The following conditions apply in addition to the Common Policy Conditions and the Commercial Property Conditions.

### 1. Coinsurance

If a Coinsurance percentage is shown in the Declarations, the following condition applies.

- a. We will not pay the full amount of any loss if the value of Covered Property at the time of loss times the Coinsurance percentage shown for it in the Declarations is greater than the Limit of Insurance for the property.

Instead, we will determine the most we will pay using the following steps:

- (1) Multiply the value of Covered Property at the time of loss by the Coinsurance percentage;
- (2) Divide the Limit of Insurance of the property by the figure determined in Step (1);
- (3) Multiply the total amount of loss, before the application of any deductible, by the figure determined in Step (2); and
- (4) Subtract the deductible from the figure determined in Step (3).

We will pay the amount determined in Step (4) or the limit of Insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

#### EXAMPLE #1 (UNDERINSURANCE)

When:	The value of the property is:	\$250,000
	The Coinsurance percentage for it is:	80%
	The Limit of Insurance for it is:	\$100,000
	The Deductible is:	\$ 250
	The amount of loss is:	\$ 40,000
Step (1):	\$250,000 x 80% = \$200,000 (the minimum amount of insurance to meet your Coinsurance requirements)	
Step (2):	\$100,000 ÷ \$200,000 = .50	

**Step (3):**  $\$40,000 \times .50 = \$20,000$

**Step (4):**  $\$20,000 - \$250 = \$19,750$

We will pay no more than \$19,750. The remaining \$20,250 is not covered.

#### EXAMPLE #2 (ADEQUATE INSURANCE)

When: The value of the property is: \$250,000  
 The Coinsurance percentage for it is: 80%  
 The Limit of Insurance for it is: \$200,000  
 The Deductible is: \$ 250  
 The amount of loss is: \$ 40,000

The minimum amount of insurance to meet your Coinsurance requirement is \$200,000 ( $\$250,000 \times 80\%$ ). Therefore, the Limit of Insurance in this example is adequate and no penalty applies. We will pay no more than \$39,750 (\$40,000 amount of loss minus the deductible of \$250).

- b. If one Limit of Insurance applies to two or more separate items, this condition will apply to the total of all property to which the limit applies.

#### EXAMPLE #3

When: The value of the property is:

Building at Location #1:	\$ 75,000
Building at Location #2:	\$100,000
Personal Property at Location #2:	<u>\$ 75,000</u> <u>\$250,000</u>
The Coinsurance percentage for it is:	90%
The Limit of Insurance for Buildings and Personal Property at Locations #1 and #2 is:	\$180,000
The Deductible is:	\$ 1,000
The amount of loss is:	
Building at Location #2:	\$ 30,000
Personal Property at Location #2:	<u>\$ 20,000</u> <u>\$ 50,000</u>

**Step (1):**  $\$250,000 \times 90\% = \$225,000$   
 (the minimum amount of Insurance to meet your Coinsurance requirements and to avoid the penalty shown below)

**Step (2):**  $\$180,000 \div \$225,000 = .80$

**Step (3):**  $\$50,000 \times .80 = \$40,000$

**Step (4):**  $\$40,000 - \$1,000 = \$39,000$

We will pay no more than \$39,000. The remaining \$11,000 is not covered.

## 2. Mortgageholders

- a. The term mortgageholder includes trustee.
- b. We will pay for covered loss of or damage to buildings or structures to each mortgageholder shown in the Declarations in their order of precedence, as Interests may appear.
- c. The mortgageholder has the right to receive loss payment even if the mortgageholder has started foreclosure or similar action on the building or structure.
- d. If we deny your claim because of your acts or because you have failed to comply with the terms of this Coverage Part, the mortgageholder will still have the right to receive loss payment if the mortgageholder:

- (1) Pays any premium due under this Coverage Part at our request if you have failed to do so;
- (2) Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so; and
- (3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the mortgageholder.

All of the terms of this Coverage Part will then apply directly to the mortgageholder.

- e. If we pay the mortgageholder for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this Coverage Part:
- (1) The mortgageholder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and

- (2) The mortgageholder's right to recover the full amount of the mortgageholder's claim will not be impaired.

At our option, we may pay to the mortgageholder the whole principal on the mortgage plus any accrued interest. In this event, your mortgage and note will be transferred to us and you will pay your remaining mortgage debt to us.

- f. If we cancel this policy, we will give written notice to the mortgageholder at least:
- (1) 10 days before the effective date of cancellation if we cancel for your nonpayment of premium; or
  - (2) 30 days before the effective date of cancellation if we cancel for any other reason.
- g. If we elect not to renew this policy, we will give written notice to the mortgageholder at least 10 days before the expiration date of this policy.

#### G. Optional Coverages

If shown as applicable in the Declarations, the following Optional Coverages apply separately to each item.

##### 1. Agreed Value

- a. The Additional Condition, Coinsurance, does not apply to Covered Property to which this Optional Coverage applies. We will pay no more for loss of or damage to that property than the proportion that the Limit of Insurance under this Coverage Part for the property bears to the Agreed Value shown for it in the Declarations.
- b. If the expiration date for this Optional Coverage shown in the Declarations is not extended, the Additional Condition, Coinsurance, is reinstated and this Optional Coverage expires.
- c. The terms of this Optional Coverage apply only to loss or damage that occurs:
  - (1) On or after the effective date of this Optional Coverage; and

- (2) Before the Agreed Value expiration date shown in the Declarations or the policy expiration date, whichever occurs first.

##### 2. Inflation Guard

- a. The Limit of Insurance for property to which this Optional Coverage applied will automatically increase by the annual percentage shown in the Declarations.
- b. The amount of increase will be:
  - (1) The Limit of Insurance that applied on the most recent of the policy inception date, the policy anniversary date, or any other policy change amending the Limit of Insurance, times
  - (2) The percentage of annual increase shown in the Declarations, expressed as a decimal (example: 8% is .08), times
  - (3) The number of days since the beginning of the current policy year or the effective date of the most recent policy change amending the Limit of Insurance, divided by 365.

#### EXAMPLE

If: The applicable Limit of Insurance is: \$100,000

The annual percentage increase is: 8%

The number of days since the beginning of the policy year (or last policy change) is: 146

The amount of increase is:  
 $\$100,000 \times .08 \times 146 \div 365 =$  \$ 3,200

##### 3. Replacement Cost

- a. Replacement Cost (without deduction for depreciation) replaces Actual Cash Value in the Valuation Loss Condition of this Coverage Form.
- b. This Optional Coverage does not apply to:
  - (1) Personal property of others;
  - (2) Contents of a residence;
  - (3) Works of art, antiques or rare articles, including etchings, pictures, statuary, marbles, bronzes, porcelains and bric-a-brac; or

- (4) "Stock", unless the Including "Stock" option is shown in the Declarations.

Under the terms of this Replacement Cost Optional Coverage, tenants' improvements and betterments are not considered to be the personal property of others.

- c. You may make a claim for loss or damage covered by this insurance on an actual cash value basis instead of on a replacement cost basis. In the event you elect to have loss or damage settled on an actual cash value basis, you may still make a claim for the additional coverage this Optional Coverage provides if you notify us of your intent to do so within 180 days after the loss or damage.

- d. We will not pay on a replacement cost basis for any loss or damage:

- (1) Until the lost or damaged property is actually repaired or replaced; and
- (2) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage.

With respect to tenants' improvements and betterments, the following also apply:

- (3) If the conditions in d.(1) and d.(2) above are not met, the value of tenants' improvements and betterments will be determined as a proportion of your original cost, as set forth in the Valuation Loss Condition of this Coverage Form; and
  - (4) We will not pay for loss or damage to tenants' improvements and betterments if others pay for repairs or replacement.
- e. We will not pay more for loss or damage on a replacement cost basis than the least of (1), (2) or (3), subject to f. below:
- (1) The Limit of Insurance applicable to the lost or damaged property;
  - (2) The cost to replace the lost or damaged property with other property:
    - (a) Of comparable material and quality; and
    - (b) Used for the same purpose; or

- (3) The amount actually spent that is necessary to repair or replace the lost or damaged property.

If a building is rebuilt at a new premises, the cost described in e.(2) above is limited to the cost which would have been incurred if the building had been rebuilt at the original premises.

- f. The cost of repair or replacement does not include the increased cost attributable to enforcement of any ordinance or law regulating the construction, use or repair of any property.

#### 4. Extension Of Replacement Cost To Personal Property Of Others

- a. If the Replacement Cost Optional Coverage is shown as applicable in the Declarations, then this Extension may also be shown as applicable. If the Declarations show this Extension as applicable, then Paragraph 3.b.(1) of the Replacement Cost Optional Coverage is deleted and all other provisions of the Replacement Cost Optional Coverage apply to replacement cost on personal property of others.

- b. With respect to replacement cost on the personal property of others, the following limitation applies:

If an item(s) of personal property of others is subject to a written contract which governs your liability for loss or damage to that item(s), then valuation of that item(s) will be based on the amount for which you are liable under such contract, but not to exceed the lesser of the replacement cost of the property or the applicable Limit of Insurance.

#### H. Definitions

1. "Fungus" means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.
2. "Pollutants" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.
3. "Stock" means merchandise held in storage or for sale, raw materials and in-process or finished goods, including supplies used in their packing or shipping.



Policy Number: MCP0171500

Mt. Hawley Insurance Company

## BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we", "us" and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section F., Definitions.

### A. Coverage

#### 1. Business Income

Business Income means the:

- a. Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and
- b. Continuing normal operating expenses incurred, including payroll.

For manufacturing risks, Net Income includes the net sales value of production.

Coverage is provided as described and limited below for one or more of the following options for which a Limit of Insurance is shown in the Declarations:

- (1) Business Income Including "Rental Value".
- (2) Business Income Other Than "Rental Value".
- (3) "Rental Value".

If option (1) above is selected, the term Business Income will include "Rental Value". If option (3) above is selected, the term Business Income will mean "Rental Value" only.

If Limits of Insurance are shown under more than one of the above options, the provisions of this Coverage Part apply separately to each.

We will pay for the actual loss of Business Income you sustain due to the necessary "suspension" of your "operations" during the "period of restoration". The "suspension" must be caused by direct physical loss of or damage to property at premises which are described in the Declarations and

for which a Business Income Limit of Insurance is shown in the Declarations. The loss or damage must be caused by or result from a Covered Cause of Loss. With respect to loss of or damage to personal property in the open or personal property in a vehicle, the described premises include the area within 100 feet of the site at which the described premises are located.

With respect to the requirements set forth in the preceding paragraph, if you occupy only part of the site at which the described premises are located, your premises means:

- (a) The portion of the building which you rent, lease or occupy; and
- (b) Any area within the building or on the site at which the described premises are located, if that area services, or is used to gain access to, the described premises.

#### 2. Extra Expense

- a. Extra Expense Coverage is provided at the premises described in the Declarations only if the Declarations show that Business Income Coverage applies at that premises.
- b. Extra Expense means necessary expenses you incur during the "period of restoration" that you would not have incurred if there had been no direct physical loss or damage to property caused by or resulting from a Covered Cause of Loss.

We will pay Extra Expense (other than the expense to repair or replace property) to:

- (1) Avoid or minimize the "suspension" of business and to continue operations at the described premises or at replacement

premises or temporary locations, including relocation expenses and costs to equip and operate the replacement location or temporary location.

- (2) Minimize the "suspension" of business if you cannot continue "operations".

We will also pay Extra Expense to repair or replace property, but only to the extent it reduces the amount of loss that otherwise would have been payable under this Coverage Form.

### 3. Covered Causes Of Loss, Exclusions And Limitations

See applicable Causes Of Loss Form as shown in the Declarations.

### 4. Additional Limitation — Interruption Of Computer Operations

- a. Coverage for Business Income does not apply when a "suspension" of "operations" is caused by destruction or corruption of electronic data, or any loss or damage to electronic data, except as provided under the Additional Coverage — Interruption Of Computer Operations.
- b. Coverage for Extra Expense does not apply when action is taken to avoid or minimize a "suspension" of "operations" caused by destruction or corruption of electronic data, or any loss or damage to electronic data, except as provided under the Additional Coverage — Interruption Of Computer Operations.
- c. Electronic data means information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic data, means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data.

## 5. Additional Coverages

### a. Civil Authority

In this Additional Coverage — Civil Authority, the described premises are premises to which this Coverage Form applies, as shown in the Declarations.

When a Covered Cause of Loss causes damage to property other than property at the described premises, we will pay for the actual loss of Business Income you sustain and necessary Extra Expense caused by action of civil authority that prohibits access to the described premises, provided that both of the following apply:

- (1) Access to the area immediately surrounding the damaged property is prohibited by civil authority as a result of the damage, and the described premises are within that area but are not more than one mile from the damaged property; and
- (2) The action of civil authority is taken in response to dangerous physical conditions resulting from the damage or continuation of the Covered Cause of Loss that caused the damage, or the action is taken to enable a civil authority to have unimpeded access to the damaged property.

Civil Authority Coverage for Business Income will begin 72 hours after the time of the first action of civil authority that prohibits access to the described premises and will apply for a period of up to four consecutive weeks from the date on which such coverage began.

Civil Authority Coverage for Extra Expense will begin immediately after the time of the first action of civil authority that prohibits access to the described premises and will end:

- (1) Four consecutive weeks after the date of that action; or
- (2) When your Civil Authority Coverage for Business Income ends;

whichever is later.

**b. Alterations And New Buildings**

We will pay for the actual loss of Business Income you sustain and necessary Extra Expense you incur due to direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss to:

- (1) New buildings or structures, whether complete or under construction;
- (2) Alterations or additions to existing buildings or structures; and
- (3) Machinery, equipment, supplies or building materials located on or within 100 feet of the described premises and:
  - (a) Used in the construction, alterations or additions; or
  - (b) Incidental to the occupancy of new buildings.

If such direct physical loss or damage delays the start of "operations", the "period of restoration" for Business Income Coverage will begin on the date "operations" would have begun if the direct physical loss or damage had not occurred.

**c. Extended Business Income****(1) Business Income Other Than "Rental Value"**

If the necessary "suspension" of your "operations" produces a Business Income loss payable under this policy, we will pay for the actual loss of Business Income you incur during the period that:

- (a) Begins on the date property (except "finished stock") is actually repaired, rebuilt or replaced and "operations" are resumed; and
- (b) Ends on the earlier of:
  - (i) The date you could restore your "operations", with reasonable speed, to the level which would generate the business income amount that would have existed if no direct physical loss or damage had occurred; or

- (ii) 30 consecutive days after the date determined in (1)(a) above.

However, Extended Business Income does not apply to loss of Business Income incurred as a result of unfavorable business conditions caused by the impact of the Covered Cause of Loss in the area where the described premises are located.

Loss of Business Income must be caused by direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss.

**(2) "Rental Value"**

If the necessary "suspension" of your "operations" produces a "Rental Value" loss payable under this policy, we will pay for the actual loss of "Rental Value" you incur during the period that:

- (a) Begins on the date property is actually repaired, rebuilt or replaced and tenantability is restored; and
- (b) Ends on the earlier of:

- (i) The date you could restore tenant occupancy, with reasonable speed, to the level which would generate the "Rental Value" that would have existed if no direct physical loss or damage had occurred; or
- (ii) 30 consecutive days after the date determined in (2)(a) above.

However, Extended Business Income does not apply to loss of "Rental Value" incurred as a result of unfavorable business conditions caused by the impact of the Covered Cause of Loss in the area where the described premises are located.

Loss of "Rental Value" must be caused by direct physical loss or damage at the described premises caused by or resulting from any Covered Cause of Loss.

**d. Interruption Of Computer Operations**

- (1) Under this Additional Coverage, electronic data has the meaning described under Additional Limitation – Interruption Of Computer Operations.
- (2) Subject to all provisions of this Additional Coverage, you may extend the insurance that applies to Business Income and Extra Expense to apply to a "suspension" of "operations" caused by an interruption in computer operations due to destruction or corruption of electronic data due to a Covered Cause of Loss.
- (3) With respect to the coverage provided under this Additional Coverage, the Covered Causes of Loss are subject to the following:
  - (a) If the Causes Of Loss – Special Form applies, coverage under this Additional Coverage – Interruption Of Computer Operations is limited to the "specified causes of loss" as defined in that form, and Collapse as set forth in that form.
  - (b) If the Causes Of Loss – Broad Form applies, coverage under this Additional Coverage – Interruption Of Computer Operations includes Collapse as set forth in that form.
  - (c) If the Causes Of Loss Form is endorsed to add a Covered Cause of Loss, the additional Covered Cause of Loss does not apply to the coverage provided under this Additional Coverage – Interruption Of Computer Operations.
  - (d) The Covered Causes of Loss include a virus, harmful code or similar instruction introduced into or enacted on a computer system (including electronic data) or a network to which it is connected, designed to damage or destroy any part of the system or disrupt its normal operation. But there is no coverage for an interruption related to manipulation of a computer system (including electronic data) by any employee, including a temporary or leased employee, or by an entity retained by you or for you to inspect, design, install, maintain, repair or replace that system.

- (4) The most we will pay under this Additional Coverage – Interruption of Computer Operations is \$2,500 for all loss sustained and expense incurred in any one policy year, regardless of the number of interruptions or the number of premises, locations or computer systems involved. If loss payment relating to the first interruption does not exhaust this amount, then the balance is available for loss or expense sustained or incurred as a result of subsequent interruptions in that policy year. A balance remaining at the end of a policy year does not increase the amount of insurance in the next policy year. With respect to any interruption which begins in one policy year and continues or results in additional loss or expense in a subsequent policy year(s), all loss and expense is deemed to be sustained or incurred in the policy year in which the interruption began.
- (5) This Additional Coverage – Interruption in Computer Operations does not apply to loss sustained or expense incurred after the end of the "period of restoration", even if the amount of insurance stated in (4) above has not been exhausted.

**6. Coverage Extension**

If a Coinsurance percentage of 50% or more is shown in the Declarations, you may extend the insurance provided by this Coverage Part as follows:

**NEWLY ACQUIRED LOCATIONS**

- a. You may extend your Business Income and Extra Expense Coverages to apply to property at any location you acquire other than fairs or exhibitions.
- b. The most we will pay under this Extension, for the sum of Business Income loss and Extra Expense incurred, is \$100,000 at each location.
- c. Insurance under this Extension for each newly acquired location will end when any of the following first occurs:
  - (1) This policy expires;
  - (2) 30 days expire after you acquire or begin to construct the property; or
  - (3) You report values to us.



We will charge you additional premium for values reported from the date you acquire the property.

The Additional Condition, Coinsurance, does not apply to this Extension.

## B. Limits Of Insurance

The most we will pay for loss in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

Payments under the following coverages will not increase the applicable Limit of Insurance:

1. Alterations And New Buildings;
2. Civil Authority;
3. Extra Expense; or
4. Extended Business Income.

The amounts of insurance stated in the Interruption Of Computer Operations Additional Coverage and the Newly Acquired Locations Coverage Extension apply in accordance with the terms of those coverages and are separate from the Limit(s) of Insurance shown in the Declarations for any other coverage.

## C. Loss Conditions

The following conditions apply in addition to the Common Policy Conditions and the Commercial Property Conditions.

### 1. Appraisal

If we and you disagree on the amount of Net Income and operating expense or the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser.

The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the amount of Net Income and operating expense or amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

## 2. Duties In The Event Of Loss

a. You must see that the following are done in the event of loss:

- (1) Notify the police if a law may have been broken.
- (2) Give us prompt notice of the direct physical loss or damage. Include a description of the property involved.
- (3) As soon as possible, give us a description of how, when, and where the direct physical loss or damage occurred.
- (4) Take all reasonable steps to protect the Covered Property from further damage, and keep a record of your expenses necessary to protect the Covered Property, for consideration in the settlement of the claim. This will not increase the Limit of Insurance. However, we will not pay for any subsequent loss or damage resulting from a cause of loss that is not a Covered Cause of Loss. Also, if feasible, set the damaged property aside and in the best possible order for examination.
- (5) As often as may be reasonably required, permit us to inspect the property proving the loss or damage and examine your books and records.

Also permit us to take samples of damaged and undamaged property for inspection, testing and analysis, and permit us to make copies from your books and records.

- (6) Send us a signed, sworn proof of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.
- (7) Cooperate with us in the investigation or settlement of the claim.
- (8) If you intend to continue your business, you must resume all or part of your "operations" as quickly as possible.

- b. We may examine any Insured under oath, while not in the presence of any other Insured and at such times as may be reasonably required, about any matter relating to this insurance or the claim, including an insured's books and records. In the event of an examination, an insured's answers must be signed.

### 3. Loss Determination

- a. The amount of Business Income loss will be determined based on:

- (1) The Net Income of the business before the direct physical loss or damage occurred;
- (2) The likely Net Income of the business if no physical loss or damage had occurred, but not including any Net Income that would likely have been earned as a result of an increase in the volume of business due to favorable business conditions caused by the impact of the Covered Cause of Loss on customers or on other businesses;
- (3) The operating expenses, including payroll expenses, necessary to resume "operations" with the same quality of service that existed just before the direct physical loss or damage; and
- (4) Other relevant sources of information, including:
  - (a) Your financial records and accounting procedures;
  - (b) Bills, invoices and other vouchers; and
  - (c) Deeds, liens or contracts.

- b. The amount of Extra Expense will be determined based on:

- (1) All expenses that exceed the normal operating expenses that would have been incurred by "operations" during the "period of restoration" if no direct physical loss or damage had occurred. We will deduct from the total of such expenses:
  - (a) The salvage value that remains of any property bought for temporary use during the "period of restoration", once "operations" are resumed; and

- (b) Any Extra Expense that is paid for by other insurance, except for insurance that is written subject to the same plan, terms, conditions and provisions as this insurance; and

- (2) Necessary expenses that reduce the Business Income loss that otherwise would have been incurred.

### c. Resumption Of Operations

We will reduce the amount of your:

- (1) Business Income loss, other than Extra Expense, to the extent you can resume your "operations", in whole or in part, by using damaged or undamaged property (including merchandise or stock) at the described premises or elsewhere.
  - (2) Extra Expense loss to the extent you can return "operations" to normal and discontinue such Extra Expense.
- d. If you do not resume "operations", or do not resume "operations" as quickly as possible, we will pay based on the length of time it would have taken to resume "operations" as quickly as possible.

### 4. Loss Payment

We will pay for covered loss within 30 days after we receive the sworn proof of loss, if you have complied with all of the terms of this Coverage Part and:

- a. We have reached agreement with you on the amount of loss; or
- b. An appraisal award has been made.

### D. Additional Condition

#### COINSURANCE

If a Coinsurance percentage is shown in the Declarations, the following condition applies in addition to the Common Policy Conditions and the Commercial Property Conditions.

We will not pay the full amount of any Business Income loss if the Limit of Insurance for Business Income is less than:

1. The Coinsurance percentage shown for Business Income in the Declarations; times

2. The sum of:

a. The Net Income (Net Profit or Loss before income taxes), and

b. Operating expenses, including payroll expenses,

that would have been earned or incurred (had no loss occurred) by your "operations" at the described premises for the 12 months following the inception, or last previous anniversary date, of this policy (whichever is later).

Instead, we will determine the most we will pay using the following steps:

Step (1): Multiply the Net Income and operating expense for the 12 months following the inception, or last previous anniversary date, of this policy by the Coinsurance percentage;

Step (2): Divide the Limit of Insurance for the described premises by the figure determined in Step (1); and

Step (3): Multiply the total amount of loss by the figure determined in Step (2).

We will pay the amount determined in Step (3) or the limit of insurance, whichever is less. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

In determining operating expenses for the purpose of applying the Coinsurance condition, the following expenses, if applicable, shall be deducted from the total of all operating expenses:

- (1) Prepaid freight — outgoing;
- (2) Returns and allowances;
- (3) Discounts;
- (4) Bad debts;
- (5) Collection expenses;
- (6) Cost of raw stock and factory supplies consumed (including transportation charges);

(7) Cost of merchandise sold (including transportation charges);

(8) Cost of other supplies consumed (including transportation charges);

(9) Cost of services purchased from outsiders (not employees) to resell, that do not continue under contract;

(10) Power, heat and refrigeration expenses that do not continue under contract (if Form CP 15 11 is attached);

(11) All ordinary payroll expenses or the amount of payroll expense excluded (if Form CP 15 10 is attached); and

(12) Special deductions for mining properties (royalties unless specifically included in coverage; actual depletion commonly known as unit or cost depletion — not percentage depletion; welfare and retirement fund charges based on tonnage; hired trucks).

#### EXAMPLE #1 (UNDERINSURANCE)

When: The Net Income and operating expenses for the 12 months following the inception, or last previous anniversary date, of this policy at the described premises would have been:

\$400,000

The Coinsurance percentage is: 50%

The Limit of Insurance is: \$150,000

The amount of loss is: \$ 80,000

Step (1):  $\$400,000 \times 50\% = \$200,000$   
(the minimum amount of insurance to meet your Coinsurance requirements)

Step (2):  $\$150,000 \div \$200,000 = .75$

Step (3):  $\$80,000 \times .75 = \$60,000$

We will pay no more than \$60,000. The remaining \$20,000 is not covered.

#### EXAMPLE #2 (ADEQUATE INSURANCE)

When: The Net Income and operating expenses for the 12 months following the inception, or last previous anniversary date, of this policy at the described premises would have been:

\$400,000

The Coinsurance percentage is: 50%

The Limit of Insurance is: \$200,000

The amount of loss is: \$ 80,000

The minimum amount of insurance to meet your Coinsurance requirement is \$200,000 ( $\$400,000 \times 50\%$ ). Therefore, the Limit of Insurance in this example is adequate and no penalty applies. We will pay no more than \$80,000 (amount of loss).

This condition does not apply to Extra Expense Coverage.

#### E. Optional Coverages

If shown as applicable in the Declarations, the following Optional Coverages apply separately to each item.

##### 1. Maximum Period Of Indemnity

- a. The Additional Condition, Coinsurance, does not apply to this Coverage Form at the described premises to which this Optional Coverage applies.
- b. The most we will pay for the total of Business Income loss and Extra Expense is the lesser of:
  - (1) The amount of loss sustained and expenses incurred during the 120 days immediately following the beginning of the "period of restoration"; or
  - (2) The Limit of Insurance shown in the Declarations.

##### 2. Monthly Limit Of Indemnity

- a. The Additional Condition, Coinsurance, does not apply to this Coverage Form at the described premises to which this Optional Coverage applies.
- b. The most we will pay for loss of Business Income in each period of 30 consecutive days after the beginning of the "period of restoration" is:
  - (1) The Limit of Insurance, multiplied by
  - (2) The fraction shown in the Declarations for this Optional Coverage.

#### EXAMPLE

When: The Limit of Insurance is: \$120,000

The fraction shown in the Declarations for this Optional Coverage is: 1/4

The most we will pay for loss in each period of 30 consecutive days is: \$ 30,000  
( $\$120,000 \times 1/4 = \$30,000$ )

If, in this example, the actual amount of loss is:

Days 1-30:	\$ 40,000
Days 31-60:	\$ 20,000
Days 61-90:	<u>\$ 30,000</u>
	\$ 90,000

We will pay:	
Days 1-30:	\$ 30,000
Days 31-60:	\$ 20,000
Days 61-90:	<u>\$ 30,000</u>
	\$ 80,000

The remaining \$10,000 is not covered.

##### 3. Business Income Agreed Value

- a. To activate this Optional Coverage:
  - (1) A Business Income Report/Work Sheet must be submitted to us and must show financial data for your "operations":
    - (a) During the 12 months prior to the date of the Work Sheet; and
    - (b) Estimated for the 12 months immediately following the inception of this Optional Coverage.
  - (2) The Declarations must indicate that the Business Income Agreed Value Optional Coverage applies, and an Agreed Value must be shown in the Declarations. The Agreed Value should be at least equal to:
    - (a) The Coinsurance percentage shown in the Declarations; multiplied by
    - (b) The amount of Net Income and operating expenses for the following 12 months you report on the Work Sheet.

b. The Additional Condition, Coinsurance, is suspended until:

- (1) 12 months after the effective date of this Optional Coverage; or
- (2) The expiration date of this policy; whichever occurs first.

c. We will reinstate the Additional Condition, Coinsurance, automatically if you do not submit a new Work Sheet and Agreed Value:

- (1) Within 12 months of the effective date of this Optional Coverage; or
- (2) When you request a change in your Business Income Limit of Insurance.

d. If the Business Income Limit of Insurance is less than the Agreed Value, we will not pay more of any loss than the amount of loss multiplied by:

- (1) The Business Income Limit of Insurance; divided by
- (2) The Agreed Value.

#### EXAMPLE

When: The Limit of Insurance is: \$100,000

The Agreed Value is: \$200,000

The amount of loss is: \$ 80,000

Step (1):  $\$100,000 \div \$200,000 = .50$

Step (2):  $.50 \times \$80,000 = \$40,000$

We will pay \$40,000. The remaining \$40,000 is not covered.

#### 4. Extended Period Of Indemnity

Under Paragraph A.5.c., **Extended Business Income**, the number 30 in Subparagraphs (1)(b) and (2)(b) is replaced by the number shown in the Declarations for this Optional Coverage.

#### F. Definitions

1. "Finished stock" means stock you have manufactured.

"Finished stock" also includes whiskey and alcoholic products being aged, unless there is a Coinsurance percentage shown for Business Income in the Declarations.

"Finished stock" does not include stock you have manufactured that is held for sale on the premises of any retail outlet insured under this Coverage Part.

#### 2. "Operations" means:

- a. Your business activities occurring at the described premises; and
- b. The tenantability of the described premises, if coverage for Business Income including "Rental Value" or "Rental Value" applies.

#### 3. "Period of restoration" means the period of time that:

- a. Begins:
  - (1) 72 hours after the time of direct physical loss or damage for Business Income Coverage; or
  - (2) Immediately after the time of direct physical loss or damage for Extra Expense Coverage;

caused by or resulting from any Covered Cause of Loss at the described premises; and

#### b. Ends on the earlier of:

- (1) The date when the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality; or
- (2) The date when business is resumed at a new permanent location.

"Period of restoration" does not include any increased period required due to the enforcement of any ordinance or law that:

- (1) Regulates the construction, use or repair, or requires the tearing down, of any property; or
- (2) Requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants".



The expiration date of this policy will not cut short the "period of restoration".

4. "Pollutants" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.
5. "Rental Value" means Business Income that consists of:
  - a. Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred as rental income from tenant occupancy of the premises described in the Declarations as furnished and equipped by you, including fair rental value of any portion of the described premises which is occupied by you; and

- b. Continuing normal operating expenses incurred in connection with that premises, including:

- (1) Payroll; and

- (2) The amount of charges which are the legal obligation of the tenant(s) but would otherwise be your obligations.

6. "Suspension" means:

- a. The slowdown or cessation of your business activities; or
- b. That a part or all of the described premises is rendered untenable, if coverage for Business Income including "Rental Value" or "Rental Value" applies.

Policy Number: MCP0171500

Mt. Hawley Insurance Company

## CAUSES OF LOSS – SPECIAL FORM

Words and phrases that appear in quotation marks have special meaning. Refer to Section **G.**, Definitions.

### A. Covered Causes Of Loss

When Special is shown in the Declarations, Covered Causes of Loss means Risks Of Direct Physical Loss unless the loss is:

1. Excluded in Section **B.**, Exclusions; or

2. Limited in Section **C.**, Limitations;

that follow.

### B. Exclusions

1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

#### a. Ordinance Or Law

The enforcement of any ordinance or law:

(1) Regulating the construction, use or repair of any property; or

(2) Requiring the tearing down of any property, including the cost of removing its debris.

This exclusion, Ordinance Or Law, applies whether the loss results from:

(a) An ordinance or law that is enforced even if the property has not been damaged; or

(b) The increased costs incurred to comply with an ordinance or law in the course of construction, repair, renovation, remodeling or demolition of property, or removal of its debris, following a physical loss to that property.

#### b. Earth Movement

(1) Earthquake, including any earth sinking, rising or shifting related to such event;

(2) Landslide, including any earth sinking, rising or shifting related to such event;

(3) Mine subsidence, meaning subsidence of a man-made mine, whether or not mining activity has ceased;

(4) Earth sinking (other than sinkhole collapse), rising or shifting including soil conditions which cause settling, cracking or other disarrangement of foundations or other parts of realty. Soil conditions include contraction, expansion, freezing, thawing, erosion, improperly compacted soil and the action of water under the ground surface.

But if Earth Movement, as described in **b.(1)** through **(4)** above, results in fire or explosion, we will pay for the loss or damage caused by that fire or explosion.

(5) Volcanic eruption, explosion or effusion. But if volcanic eruption, explosion or effusion results in fire, building glass breakage or Volcanic Action, we will pay for the loss or damage caused by that fire, building glass breakage or Volcanic Action.

Volcanic Action means direct loss or damage resulting from the eruption of a volcano when the loss or damage is caused by:

(a) Airborne volcanic blast or airborne shock waves;

(b) Ash, dust or particulate matter; or

(c) Lava flow.

All volcanic eruptions that occur within any 168-hour period will constitute a single occurrence.

Volcanic Action does not include the cost to remove ash, dust or particulate matter that does not cause direct physical loss or damage to the described property.

**c. Governmental Action**

Seizure or destruction of property by order of governmental authority.

But we will pay for loss or damage caused by or resulting from acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread, if the fire would be covered under this Coverage Part.

**d. Nuclear Hazard**

Nuclear reaction or radiation, or radioactive contamination, however caused.

But if nuclear reaction or radiation, or radioactive contamination, results in fire, we will pay for the loss or damage caused by that fire.

**e. Utility Services**

The failure of power, communication, water or other utility service supplied to the described premises, however caused, if the failure:

- (1) Originates away from the described premises; or
- (2) Originates at the described premises, but only if such failure involves equipment used to supply the utility service to the described premises from a source away from the described premises.

Failure of any utility service includes lack of sufficient capacity and reduction in supply.

Loss or damage caused by a surge of power is also excluded, if the surge would not have occurred but for an event causing a failure of power.

But if the failure or surge of power, or the failure of communication, water or other utility service, results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

Communication services include but are not limited to service relating to Internet access or access to any electronic, cellular or satellite network.

**f. War And Military Action**

- (1) War, including undeclared or civil war;

- (2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or

- (3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

**g. Water**

- (1) Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;
- (2) Mudslide or mudflow;
- (3) Water that backs up or overflows from a sewer, drain or sump; or
- (4) Water under the ground surface pressing on, or flowing or seeping through:
  - (a) Foundations, walls, floors or paved surfaces;
  - (b) Basements, whether paved or not; or
  - (c) Doors, windows or other openings.

But if Water, as described in g.(1) through g.(4) above, results in fire, explosion or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion or sprinkler leakage.

**h. "Fungus", Wet Rot, Dry Rot And Bacteria**

Presence, growth, proliferation, spread or any activity of "fungus", wet or dry rot or bacteria.

But if "fungus", wet or dry rot or bacteria results in a "specified cause of loss", we will pay for the loss or damage caused by that "specified cause of loss".

This exclusion does not apply:

- (1) When "fungus", wet or dry rot or bacteria results from fire or lightning; or



- (2) To the extent that coverage is provided in the Additional Coverage – Limited Coverage For "Fungus", Wet Rot, Dry Rot And Bacteria with respect to loss or damage by a cause of loss other than fire or lightning.

Exclusions B.1.a. through B.1.h. apply whether or not the loss event results in widespread damage or affects a substantial area.

2. We will not pay for loss or damage caused by or resulting from any of the following:

- a. Artificially generated electrical, magnetic or electromagnetic energy that damages, disturbs, disrupts or otherwise interferes with any:

- (1) Electrical or electronic wire, device, appliance, system or network; or

- (2) Device, appliance, system or network utilizing cellular or satellite technology.

For the purpose of this exclusion, electrical, magnetic or electromagnetic energy includes but is not limited to:

- (a) Electrical current, including arcing;
- (b) Electrical charge produced or conducted by a magnetic or electromagnetic field;
- (c) Pulse of electromagnetic energy; or
- (d) Electromagnetic waves or micro-waves.

But if fire results, we will pay for the loss or damage caused by that fire.

- b. Delay, loss of use or loss of market.
- c. Smoke, vapor or gas from agricultural smudging or industrial operations.
- d. (1) Wear and tear;
- (2) Rust or other corrosion, decay, deterioration, hidden or latent defect or any quality in property that causes it to damage or destroy itself;
- (3) Smog;

- (4) Settling, cracking, shrinking or expansion;

- (5) Nesting or infestation, or discharge or release of waste products or secretions, by insects, birds, rodents or other animals.

- (6) Mechanical breakdown, including rupture or bursting caused by centrifugal force. But if mechanical breakdown results in elevator collision, we will pay for the loss or damage caused by that elevator collision.

- (7) The following causes of loss to personal property:

- (a) Dampness or dryness of atmosphere;
- (b) Changes in or extremes of temperature; or
- (c) Marring or scratching.

But if an excluded cause of loss that is listed in 2.d.(1) through (7) results in a "specified cause of loss" or building glass breakage, we will pay for the loss or damage caused by that "specified cause of loss" or building glass breakage.

- e. Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control. But if explosion of steam boilers, steam pipes, steam engines or steam turbines results in fire or combustion explosion, we will pay for the loss or damage caused by that fire or combustion explosion. We will also pay for loss or damage caused by or resulting from the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.
- f. Continuous or repeated seepage or leakage of water, or the presence or condensation of humidity, moisture or vapor, that occurs over a period of 14 days or more.
- g. Water, other liquids, powder or molten material that leaks or flows from plumbing, heating, air conditioning or other equipment (except fire protective systems) caused by or resulting from freezing, unless:
  - (1) You do your best to maintain heat in the building or structure; or

(2) You drain the equipment and shut off the supply if the heat is not maintained.

- h. Dishonest or criminal act by you, any of your partners, members, officers, managers, employees (including leased employees), directors, trustees, authorized representatives or anyone to whom you entrust the property for any purpose:

(1) Acting alone or in collusion with others; or

(2) Whether or not occurring during the hours of employment.

This exclusion does not apply to acts of destruction by your employees (including leased employees); but theft by employees (including leased employees) is not covered.

- i. Voluntary parting with any property by you or anyone else to whom you have entrusted the property if induced to do so by any fraudulent scheme, trick, device or false pretense.

- j. Rain, snow, ice or sleet to personal property in the open.

- k. Collapse, including any of the following conditions of property or any part of the property:

(1) An abrupt falling down or caving in;

(2) Loss of structural integrity, including separation of parts of the property or property in danger of falling down or caving in; or

(3) Any cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion as such condition relates to (1) or (2) above.

But if collapse results in a Covered Cause of Loss at the described premises, we will pay for the loss or damage caused by that Covered Cause of Loss.

This exclusion, k., does not apply:

(a) To the extent that coverage is provided under the Additional Coverage — Collapse; or

(b) To collapse caused by one or more of the following:

(i) The "specified causes of loss";

(ii) Breakage of building glass;

(iii) Weight of rain that collects on a roof; or

(iv) Weight of people or personal property.

- l. Discharge, dispersal, seepage, migration, release or escape of "pollutants" unless the discharge, dispersal, seepage, migration, release or escape is itself caused by any of the "specified causes of loss". But if the discharge, dispersal, seepage, migration, release or escape of "pollutants" results in a "specified cause of loss", we will pay for the loss or damage caused by that "specified cause of loss".

This exclusion, l., does not apply to damage to glass caused by chemicals applied to the glass.

- m. Neglect of an insured to use all reasonable means to save and preserve property from further damage at and after the time of loss.

3. We will not pay for loss or damage caused by or resulting from any of the following, 3.a. through 3.c. But if an excluded cause of loss that is listed in 3.a. through 3.c. results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

a. Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in Paragraph 1. above to produce the loss or damage.

b. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.

c. Faulty, inadequate or defective:

(1) Planning, zoning, development, surveying, siting;

(2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;

(3) Materials used in repair, construction, renovation or remodeling; or

(4) Maintenance;

of part or all of any property on or off the described premises.

#### 4. Special Exclusions

The following provisions apply only to the specified Coverage Forms.

##### a. Business Income (And Extra Expense) Coverage Form, Business Income (Without Extra Expense) Coverage Form, Or Extra Expense Coverage Form

We will not pay for:

##### (1) Any loss caused by or resulting from:

- (a) Damage or destruction of "finished stock"; or
- (b) The time required to reproduce "finished stock".

This exclusion does not apply to Extra Expense.

##### (2) Any loss caused by or resulting from direct physical loss or damage to radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers.

##### (3) Any increase of loss caused by or resulting from:

- (a) Delay in rebuilding, repairing or replacing the property or resuming "operations", due to interference at the location of the rebuilding, repair or replacement by strikers or other persons; or
- (b) Suspension, lapse or cancellation of any license, lease or contract. But if the suspension, lapse or cancellation is directly caused by the "suspension" of "operations", we will cover such loss that affects your Business Income during the "period of restoration" and any extension of the "period of restoration" in accordance with the terms of the Extended Business Income Additional Coverage and the Extended Period Of Indemnity Optional Coverage or any variation of these.

(4) Any Extra Expense caused by or resulting from suspension, lapse or cancellation of any license, lease or contract beyond the "period of restoration".

(5) Any other consequential loss.

##### b. Leasehold Interest Coverage Form

(1) Paragraph B.1.a., Ordinance Or Law, does not apply to insurance under this Coverage Form.

(2) We will not pay for any loss caused by:

- (a) Your cancelling the lease;
- (b) The suspension, lapse or cancellation of any license; or
- (c) Any other consequential loss.

##### c. Legal Liability Coverage Form

(1) The following exclusions do not apply to insurance under this Coverage Form:

- (a) Paragraph B.1.a., Ordinance Or Law;
- (b) Paragraph B.1.c., Governmental Action;
- (c) Paragraph B.1.d., Nuclear Hazard;
- (d) Paragraph B.1.e., Utility Services; and
- (e) Paragraph B.1.f., War And Military Action.

(2) The following additional exclusions apply to insurance under this Coverage Form:

##### (a) Contractual Liability

We will not defend any claim or "suit", or pay damages that you are legally liable to pay, solely by reason of your assumption of liability in a contract or agreement. But this exclusion does not apply to a written lease agreement in which you have assumed liability for building damage resulting from an actual or attempted burglary or robbery, provided that:

- (i) Your assumption of liability was executed prior to the accident; and
- (ii) The building is Covered Property under this Coverage Form.

**(b) Nuclear Hazard**

We will not defend any claim or "suit", or pay any damages, loss, expense or obligation, resulting from nuclear reaction or radiation, or radioactive contamination, however caused.

**5. Additional Exclusion**

The following provisions apply only to the specified property.

**LOSS OR DAMAGE TO PRODUCTS**

We will not pay for loss or damage to any merchandise, goods or other product caused by or resulting from error or omission by any person or entity (including those having possession under an arrangement where work or a portion of the work is outsourced) in any stage of the development, production or use of the product, including planning, testing, processing, packaging, installation, maintenance or repair. This exclusion applies to any effect that compromises the form, substance or quality of the product. But if such error or omission results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss.

**C. Limitations**

The following limitations apply to all policy forms and endorsements, unless otherwise stated:

1. We will not pay for loss of or damage to property, as described and limited in this section. In addition, we will not pay for any loss that is a consequence of loss or damage as described and limited in this section.
  - a. Steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment. But we will pay for loss of or damage to such equipment caused by or resulting from an explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.

b. Hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment, other than an explosion.

c. The interior of any building or structure, or to personal property in the building or structure, caused by or resulting from rain, snow, sleet, ice, sand or dust, whether driven by wind or not, unless:

(1) The building or structure first sustains damage by a Covered Cause of Loss to its roof or walls through which the rain, snow, sleet, ice, sand or dust enters; or

(2) The loss or damage is caused by or results from thawing of snow, sleet or ice on the building or structure.

d. Building materials and supplies not attached as part of the building or structure, caused by or resulting from theft.

However, this limitation does not apply to:

(1) Building materials and supplies held for sale by you, unless they are insured under the Builders Risk Coverage Form; or

(2) Business Income Coverage or Extra Expense Coverage.

e. Property that is missing, where the only evidence of the loss or damage is a shortage disclosed on taking inventory, or other instances where there is no physical evidence to show what happened to the property.

f. Property that has been transferred to a person or to a place outside the described premises on the basis of unauthorized instructions.

2. We will not pay for loss of or damage to the following types of property unless caused by the "specified causes of loss" or building glass breakage:

a. Animals, and then only if they are killed or their destruction is made necessary.

b. Fragile articles such as statuary, marbles, chinaware and porcelains, if broken. This restriction does not apply to:

(1) Glass; or



(2) Containers of property held for sale.

- c. Builders' machinery, tools and equipment owned by you or entrusted to you, provided such property is Covered Property.

However, this limitation does not apply:

(1) If the property is located on or within 100 feet of the described premises, unless the premises is insured under the Builders Risk Coverage Form; or

(2) To Business Income Coverage or to Extra Expense Coverage.

3. The special limit shown for each category, a. through d., is the total limit for loss of or damage to all property in that category. The special limit applies to any one occurrence of theft, regardless of the types or number of articles that are lost or damaged in that occurrence. The special limits are:

- a. \$2,500 for furs, fur garments and garments trimmed with fur.
- b. \$2,500 for jewelry, watches, watch movements, jewels, pearls, precious and semi-precious stones, bullion, gold, silver, platinum and other precious alloys or metals. This limit does not apply to jewelry and watches worth \$100 or less per item.
- c. \$2,500 for patterns, dies, molds and forms.
- d. \$250 for stamps, tickets, including lottery tickets held for sale, and letters of credit.

These special limits are part of, not in addition to, the Limit of Insurance applicable to the Covered Property.

This limitation, C.3., does not apply to Business Income Coverage or to Extra Expense Coverage.

4. We will not pay the cost to repair any defect to a system or appliance from which water, other liquid, powder or molten material escapes. But we will pay the cost to repair or replace damaged parts of fire-extinguishing equipment if the damage:
- a. Results in discharge of any substance from an automatic fire protection system; or
  - b. Is directly caused by freezing.

However, this limitation does not apply to Business Income Coverage or to Extra Expense Coverage.

#### D. Additional Coverage – Collapse

The coverage provided under this Additional Coverage – Collapse applies only to an abrupt collapse as described and limited in D.1. through D.7..

1. For the purpose of this Additional Coverage – Collapse, abrupt collapse means an abrupt falling down or caving in of a building or any part of a building with the result that the building or part of the building cannot be occupied for its intended purpose.

2. We will pay for direct physical loss or damage to Covered Property, caused by abrupt collapse of a building or any part of a building that is insured under this Coverage Form or that contains Covered Property insured under this Coverage Form, if such collapse is caused by one or more of the following:

- a. Building decay that is hidden from view, unless the presence of such decay is known to an insured prior to collapse;
- b. Insect or vermin damage that is hidden from view, unless the presence of such damage is known to an insured prior to collapse;
- c. Use of defective material or methods in construction, remodeling or renovation if the abrupt collapse occurs during the course of the construction, remodeling or renovation.
- d. Use of defective material or methods in construction, remodeling or renovation if the abrupt collapse occurs after the construction, remodeling or renovation is complete, but only if the collapse is caused in part by:

- (1) A cause of loss listed in 2.a. or 2.b.;
- (2) One or more of the "specified causes of loss";
- (3) Breakage of building glass;
- (4) Weight of people or personal property; or
- (5) Weight of rain that collects on a roof.



3. This **Additional Coverage – Collapse** does not apply to:

- a. A building or any part of a building that is in danger of falling down or caving in;
- b. A part of a building that is standing, even if it has separated from another part of the building; or
- c. A building that is standing or any part of a building that is standing, even if it shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

4. With respect to the following property:

- a. Outdoor radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers;
- b. Awnings, gutters and downspouts;
- c. Yard fixtures;
- d. Outdoor swimming pools;
- e. Fences;
- f. Piers, wharves and docks;
- g. Beach or diving platforms or appurtenances;
- h. Retaining walls; and
- i. Walks, roadways and other paved surfaces;

If an abrupt collapse is caused by a cause of loss listed in 2.a. through 2.d., we will pay for loss or damage to that property only if:

- (1) Such loss or damage is a direct result of the abrupt collapse of a building insured under this Coverage Form; and
- (2) The property is Covered Property under this Coverage Form.

5. If personal property abruptly falls down or caves in and such collapse is **not** the result of abrupt collapse of a building, we will pay for loss or damage to Covered Property caused by such collapse of personal property only if:

- a. The collapse of personal property was caused by a cause of loss listed in 2.a. through 2.d.;

- b. The personal property which collapses is inside a building; and

- c. The property which collapses is not of a kind listed in 4., regardless of whether that kind of property is considered to be personal property or real property.

The coverage stated in this Paragraph 5. does not apply to personal property if marring and/or scratching is the only damage to that personal property caused by the collapse.

- 6. This **Additional Coverage – Collapse** does not apply to personal property that has not abruptly fallen down or caved in, even if the personal property shows evidence of cracking, bulging, sagging, bending, leaning, settling, shrinkage or expansion.

- 7. This **Additional Coverage – Collapse** will not increase the Limits of Insurance provided in this Coverage Part.

- 8. The term Covered Cause of Loss includes the **Additional Coverage – Collapse** as described and limited in D.1, through D.7..

**E. Additional Coverage – Limited Coverage For "Fungus", Wet Rot, Dry Rot And Bacteria**

- 1. The coverage described in E.2. and E.6. only applies when the "fungus", wet or dry rot or bacteria is the result of one or more of the following causes that occurs during the policy period and only if all reasonable means were used to save and preserve the property from further damage at the time of and after that occurrence.

- a. A "specified cause of loss" other than fire or lightning; or

- b. Flood, if the Flood Coverage Endorsement applies to the affected premises.

- 2. We will pay for loss or damage by "fungus", wet or dry rot or bacteria. As used in this Limited Coverage, the term loss or damage means:

- a. Direct physical loss or damage to Covered Property caused by "fungus", wet or dry rot or bacteria, including the cost of removal of the "fungus", wet or dry rot or bacteria;

- b. The cost to tear out and replace any part of the building or other property as needed to gain access to the "fungus", wet or dry rot or bacteria; and

c. The cost of testing performed after removal, repair, replacement or restoration of the damaged property is completed, provided there is a reason to believe that "fungus", wet or dry rot or bacteria are present.

3. The coverage described under E.2. of this Limited Coverage is limited to \$15,000. Regardless of the number of claims, this limit is the most we will pay for the total of all loss or damage arising out of all occurrences of "specified causes of loss" (other than fire or lightning) and Flood which take place in a 12-month period (starting with the beginning of the present annual policy period). With respect to a particular occurrence of loss which results in "fungus", wet or dry rot or bacteria, we will not pay more than a total of \$15,000 even if the "fungus", wet or dry rot or bacteria continues to be present or active, or recurs, in a later policy period.
4. The coverage provided under this Limited Coverage does not increase the applicable Limit of Insurance on any Covered Property. If a particular occurrence results in loss or damage by "fungus", wet or dry rot or bacteria, and other loss or damage, we will not pay more, for the total of all loss or damage, than the applicable Limit of Insurance on the affected Covered Property.

If there is covered loss or damage to Covered Property, not caused by "fungus", wet or dry rot or bacteria, loss payment will not be limited by the terms of this Limited Coverage, except to the extent that "fungus", wet or dry rot or bacteria causes an increase in the loss. Any such increase in the loss will be subject to the terms of this Limited Coverage.

5. The terms of this Limited Coverage do not increase or reduce the coverage provided under Paragraph F.2. (Water Damage, Other Liquids, Powder Or Molten Material Damage) of this Causes Of Loss Form or under the Additional Coverage – Collapse.
6. The following, 6.a. or 6.b., applies only if Business Income and/or Extra Expense Coverage applies to the described premises and only if the "suspension" of "operations" satisfies all terms and conditions of the applicable Business Income and/or Extra Expense Coverage Form.
  - a. If the loss which resulted in "fungus", wet or dry rot or bacteria does not in itself necessitate a "suspension" of "operations", but such "suspension" is necessary due to loss or damage to property caused by "fungus", wet

or dry rot or bacteria, then our payment under Business Income and/or Extra Expense is limited to the amount of loss and/or expense sustained in a period of not more than 30 days. The days need not be consecutive.

- b. If a covered "suspension" of "operations" was caused by loss or damage other than "fungus", wet or dry rot or bacteria but remediation of "fungus", wet or dry rot or bacteria prolongs the "period of restoration", we will pay for loss and/or expense sustained during the delay (regardless of when such a delay occurs during the "period of restoration"), but such coverage is limited to 30 days. The days need not be consecutive.

## F. Additional Coverage Extensions

### 1. Property In Transit

This Extension applies only to your personal property to which this form applies.

- a. You may extend the insurance provided by this Coverage Part to apply to your personal property (other than property in the care, custody or control of your salespersons) in transit more than 100 feet from the described premises. Property must be in or on a motor vehicle you own, lease or operate while between points in the coverage territory.
- b. Loss or damage must be caused by or result from one of the following causes of loss:
  - (1) Fire, lightning, explosion, windstorm or hail, riot or civil commotion, or vandalism.
  - (2) Vehicle collision, upset or overturn. Collision means accidental contact of your vehicle with another vehicle or object. It does not mean your vehicle's contact with the roadbed.
  - (3) Theft of an entire bale, case or package by forced entry into a securely locked body or compartment of the vehicle. There must be visible marks of the forced entry.
- c. The most we will pay for loss or damage under this Extension is \$5,000.

This Coverage Extension is additional insurance. The Additional Condition, Coinsurance, does not apply to this Extension.

## 2. Water Damage, Other Liquids, Powder Or Molten Material Damage

If loss or damage caused by or resulting from covered water or other liquid, powder or molten material damage loss occurs, we will also pay the cost to tear out and replace any part of the building or structure to repair damage to the system or appliance from which the water or other substance escapes. This Coverage Extension does not increase the Limit of Insurance.

## 3. Glass

- a. We will pay for expenses incurred to put up temporary plates or board up openings if repair or replacement of damaged glass is delayed.
- b. We will pay for expenses incurred to remove or replace obstructions when repairing or replacing glass that is part of a building. This does not include removing or replacing window displays.

This Coverage Extension, F.3., does not increase the Limit of Insurance.

## G. Definitions

1. "Fungus" means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.

2. "Specified causes of loss" means the following: fire; lightning; explosion; windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire-extinguishing equipment; sinkhole collapse; volcanic action; falling objects; weight of snow, ice or sleet; water damage.

- a. Sinkhole collapse means the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or dolomite. This cause of loss does not include:

(1) The cost of filling sinkholes; or

(2) Sinking or collapse of land into man-made underground cavities.

- b. Falling objects does not include loss or damage to:

(1) Personal property in the open; or

(2) The interior of a building or structure, or property inside a building or structure, unless the roof or an outside wall of the building or structure is first damaged by a falling object.

- c. Water damage means accidental discharge or leakage of water or steam as the direct result of the breaking apart or cracking of a plumbing, heating, air conditioning or other system or appliance (other than a sump system including its related equipment and parts), that is located on the described premises and contains water or steam.

Policy Number: MCP0171500

Mt. Hawley Insurance Company

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

## EQUIPMENT BREAKDOWN COVERAGE ENDORSEMENT

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM  
CAUSES OF LOSS - BASIC FORM  
CAUSES OF LOSS - BROAD FORM  
CAUSES OF LOSS - SPECIAL FORM

A. The following is added as an Additional Coverage to the Causes of Loss - Basic Form, Broad Form or Special Form.

### Additional Coverage - Equipment Breakdown

The term Covered Cause of Loss includes the Additional Coverage Equipment Breakdown as described and limited below.

1. We will pay for direct physical damage to Covered Property that is the direct result of an "accident." As used in this Additional Coverage, "accident" means a fortuitous event that causes direct physical damage to "covered equipment." The event must be one of the following:
  - a. mechanical breakdown, including rupture or bursting caused by centrifugal force;
  - b. artificially generated electrical current, including electric arcing, that disturbs electrical devices, appliances or wires;
  - c. explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control;
  - d. loss or damage to steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment; or
  - e. loss or damage to hot water boilers or other water heating equipment caused by or resulting from any condition or event inside such boilers or equipment.
2. Unless otherwise shown in an Equipment Breakdown Supplemental Declarations, the following coverages also apply to the direct result of an "accident." These coverages do not provide additional amounts of insurance.

#### a. Expediting Expenses

With respect to your damaged Covered Property, we will pay the reasonable extra cost to:

- (1) make temporary repairs; and
- (2) expedite permanent repairs or permanent replacement.

The most we will pay for loss or expense under this coverage is \$100,000 unless otherwise shown in an Equipment Breakdown Supplemental Declarations.

#### b. Hazardous Substances

We will pay for the additional cost to repair or replace Covered Property because of contamination by a "hazardous substance." This includes the additional expenses to clean up or dispose of such property.



This does not include contamination of "perishable goods" by refrigerant, including but not limited to ammonia, which is addressed in 2.c.(1)(b) below. As used in this coverage, additional costs mean those beyond what would have been payable under this Equipment Breakdown Coverage had no "hazardous substance" been involved.

The most we will pay for loss, damage or expense under this coverage, including actual loss of Business Income you sustain and necessary Extra Expense you incur, if shown as covered, is \$100,000 unless otherwise shown in an Equipment Breakdown Supplemental Declarations.

**c. Spoilage**

(1) We will pay:

- (a) for physical damage to "perishable goods" due to spoilage;
- (b) for physical damage to "perishable goods" due to contamination from the release of refrigerant, including but not limited to ammonia;
- (c) any necessary expenses you incur to reduce the amount of loss under this coverage to the extent that they do not exceed the amount of loss that otherwise would have been payable under this coverage.

(2) If you are unable to replace the "perishable goods" before its anticipated sale, the amount of our payment will be determined on the basis of the sales price of the "perishable goods" at the time of the "accident," less discounts and expenses you otherwise would have had. Otherwise our payment will be determined in accordance with the Valuation condition.

The most we will pay for loss, damage or expense under this coverage is \$100,000 unless otherwise shown in an Equipment Breakdown Supplemental Declarations.

**d. Data Restoration**

We will pay for your reasonable and necessary cost to research, replace and restore lost "data."

The most we will pay for loss or expense under this coverage, including actual loss of Business Income you sustain and necessary Extra Expense you incur, if shown as covered, is \$100,000 unless otherwise shown in an Equipment Breakdown Supplemental Declarations.

**e. Service Interruption**

- (1) Any Insurance provided for Business Income, Extra Expense or Spoilage is extended to apply to your loss, damage or expense caused by the interruption of utility services. The interruption must result from an "accident" to equipment, including overhead transmission lines, that is owned by a utility, landlord, a landlord's utility or other supplier who provides you with any of the following services: electrical power, waste disposal, air conditioning, refrigeration, heating, natural gas, compressed air, water, steam, internet access, telecommunications services, wide area networks or data transmission. The equipment must meet the definition of "covered equipment" except that it is not Covered Property.
- (2) We will not pay for any loss of Business Income you sustain that results from the interruption of utility services during the first 24 hours following the "accident." However, if a deductible is shown in an Equipment Breakdown Supplemental Declarations as provided for in paragraph B.1. below, or if the "period of restoration" begins more than 24 hours after the time of the direct physical damage for Business Income, then that deductible or time period will apply instead of the 24 hours provided for in this paragraph.
- (3) The most we will pay in any "one accident" for loss, damage or expense under this coverage is the applicable limit for Business Income, Extra Expense or Spoilage, except that if a limit is shown in an Equipment Breakdown Supplemental Declarations for Service Interruption, that limit will apply to Business Income and Extra Expense loss under this coverage.



**f. Business Income and Extra Expense**

Any insurance provided under this coverage part for Business Income or Extra Expense is extended to the coverage provided by this endorsement. However, if a deductible is shown in an Equipment Breakdown Supplemental Declarations, then as respects Equipment Breakdown coverage, the "period of restoration" will begin immediately after the "accident," and the deductible shown in the Equipment Breakdown Supplemental Declarations will apply. The most we will pay for loss or expense under this coverage is the applicable limit for Business Income and Extra Expense, unless otherwise shown in an Equipment Breakdown Supplemental Declarations.

**3. EXCLUSIONS**

All exclusions in the Causes of Loss form apply except as modified below and to the extent that coverage is specifically provided by this Additional Coverage Equipment Breakdown.

**a. The following exclusions are modified:**

- (1) If the Causes of Loss - Basic Form or Causes of Loss - Broad Form applies, the following is added to Exclusion B.2.;

Depletion, deterioration, corrosion, erosion, wear and tear, or other gradually developing conditions. However, if an "accident" results, we will pay for the resulting loss, damage or expense caused by that "accident."

- (2) If the Causes of Loss - Special Form applies, as respects this endorsement only, the last paragraph of Exclusion B.2.d. is deleted and replaced with the following:

But if an excluded cause of loss that is listed in 2.d.(1) through (7) results in an "accident," we will pay for the loss, damage or expense caused by that "accident."

**b. The following exclusions are added:**

- (1) We will not pay for loss, damage or expense caused by or resulting from:

(a) a hydrostatic, pneumatic or gas pressure test of any boiler or pressure vessel, or an electrical insulation breakdown test of any type of electrical equipment; or

(b) any of the following:

(i) defect, programming error, programming limitation, computer virus, malicious code, loss of "data," loss of access, loss of use, loss of functionality or other condition within or involving "data" or "media" of any kind; or

(ii) misalignment, miscalibration, tripping off-line, or any condition which can be corrected by resetting, tightening, adjusting or cleaning, or by the performance of maintenance.

However, if an "accident" results, we will pay for the resulting loss, damage or expense caused by that "accident."

- (2) With respect to Service Interruption coverage, we will also not pay for an "accident" caused by or resulting from: fire; lightning; windstorm or hail; explosion (except as specifically provided in A.1.c. above); smoke; aircraft or vehicles; riot or civil commotion; vandalism; sprinkler leakage; falling objects; weight of snow, ice or sleet; freezing; collapse; flood or earth movement.

- (3) With respect to Business Income, Extra Expense and Service Interruption coverages, we will also not pay for any increase in loss resulting from an agreement between you and your customer or supplier.

(4) We will not pay for loss, damage or expense caused directly or indirectly by the following, whether or not caused by or resulting from an "accident": Any mold, fungus, mildew or yeast, including any spores or toxins produced by or emanating from such mold, fungus, mildew or yeast. This includes, but is not limited to, costs arising from clean up, removal, or abatement of such mold, fungus, mildew or yeast, spores or toxins. However, this exclusion does not apply to spoilage of personal property that is "perishable goods," to the extent that spoilage is covered under Spoilage coverage.

(5) We will not pay for any loss or damage to animals.

#### 4. DEFINITIONS

The following definitions are added:

a. "Boilers and vessels" means:

- (1) Any boiler, including attached steam, condensate and feedwater piping; and
- (2) Any fired or unfired pressure vessel subject to vacuum or internal pressure other than the static pressure of its contents.

This term does not appear elsewhere in this endorsement, but may appear in an Equipment Breakdown Supplemental Declarations.

b. "Covered equipment"

(1) "Covered equipment" means, unless otherwise specified in an Equipment Breakdown Supplemental Declarations, Covered Property:

- (a) that generates, transmits or utilizes energy, including electronic communications and data processing equipment; or
- (b) which, during normal usage, operates under vacuum or pressure, other than the weight of its contents.

(2) None of the following is "covered equipment":

- (a) structure, foundation, cabinet, compartment or air supported structure or building;
- (b) insulating or refractory material;
- (c) sewer piping, buried vessels or piping, or piping forming a part of a sprinkler or fire suppression system;
- (d) water piping other than boiler feedwater piping, boiler condensate return piping or water piping forming a part of a refrigerating or air conditioning system;
- (e) "vehicle" or any equipment mounted on a "vehicle";
- (f) satellite, spacecraft or any equipment mounted on a satellite or spacecraft;
- (g) dragline, excavation or construction equipment; or
- (h) equipment manufactured by you for sale.

c. "Data" means information or instructions stored in digital code capable of being processed by machinery.

d. "Hazardous substance" means any substance that is hazardous to health or has been declared to be hazardous to health by a governmental agency.

e. "Media" means material on which "data" is recorded, such as magnetic tapes, hard disks, optical disks or floppy disks.

- f. "One accident" means: If an initial "accident" causes other "accidents," all will be considered "one accident." All "accidents" that are the result of the same event will be considered "one accident."
- g. "Perishable goods" means personal property maintained under controlled conditions for its preservation, and susceptible to loss or damage if the controlled conditions change.
- h. "Production machinery" means any machine or apparatus that processes or produces a product intended for eventual sale. However, "production machinery" does not mean any fired or unfired pressure vessel other than a cylinder containing a movable plunger or piston.

This term does not appear elsewhere in this endorsement, but may appear in an Equipment Breakdown Supplemental Declarations.

- i. "Vehicle" means, as respects this endorsement only, any machine or apparatus that is used for transportation or moves under its own power. "Vehicle" includes, but is not limited to, car, truck, bus, trailer, train, aircraft, watercraft, forklift, bulldozer, tractor or harvester.

However, any property that is stationary, permanently installed at a covered location and that receives electrical power from an external power source will not be considered a "vehicle."

- B. The Building and Personal Property Coverage Form is modified as follows. The definitions stated above also apply to section B. of this endorsement.

#### 1. DEDUCTIBLE

The deductible in the Declarations applies unless a separate Equipment Breakdown deductible is shown in an Equipment Breakdown Supplemental Declarations. If a separate Equipment Breakdown deductible is shown, the following applies.

Only as regards Equipment Breakdown Coverage, provision **D. DEDUCTIBLE** is deleted and replaced with the following:

##### a. Deductibles for Each Coverage

- (1) Unless the Equipment Breakdown Supplemental Declarations indicates that your deductible is combined for all coverages, multiple deductibles may apply to any "one accident."
- (2) We will not pay for loss, damage or expense under any coverage until the amount of the covered loss, damage or expense exceeds the deductible amount indicated for that coverage in the Equipment Breakdown Supplemental Declarations. We will then pay the amount of loss, damage or expense in excess of the applicable deductible amount, subject to the applicable limit.
- (3) If deductibles vary by type of "covered equipment" and more than one type of "covered equipment" is involved in any "one accident," only the highest deductible for each coverage will apply.

##### b. Direct and Indirect Coverages

- (1) Direct Coverages Deductibles and Indirect Coverages Deductibles may be indicated in the Equipment Breakdown Supplemental Declarations.
- (2) Unless more specifically indicated in the Equipment Breakdown Supplemental Declarations:
  - (a) Indirect Coverages Deductibles apply to Business Income and Extra Expense loss; and
  - (b) Direct Coverages Deductibles apply to all remaining loss, damage or expense covered by this endorsement.

c. Application of Deductibles

(1) Dollar Deductibles

We will not pay for loss, damage or expense resulting from any "one accident" until the amount of loss, damage or expense exceeds the applicable Deductible shown in the Equipment Breakdown Supplemental Declarations. We will then pay the amount of loss, damage or expense in excess of the applicable Deductible or Deductibles, up to the applicable Limit of Insurance.

(2) Time Deductible

If a time deductible is shown in the Equipment Breakdown Supplemental Declarations, we will not be liable for any loss occurring during the specified number of hours or days immediately following the "accident." If a time deductible is expressed in days, each day shall mean twenty-four consecutive hours.

(3) Multiple of Average Daily Value (ADV)

If a deductible is expressed as a number times ADV, that amount will be calculated as follows:

The ADV (Average Daily Value) will be the Business Income (as defined in any Business Income coverage that is part of this policy) that would have been earned during the period of interruption of business had no "accident" occurred, divided by the number of working days in that period. No reduction shall be made for the Business Income not being earned, or in the number of working days, because of the "accident" or any other scheduled or unscheduled shutdowns during the period of interruption. The ADV applies to the Business Income value of the entire location, whether or not the loss affects the entire location. If more than one location is included in the valuation of the loss, the ADV will be the combined value of all affected locations. For purposes of this calculation, the period of interruption may not extend beyond the "period of restoration."

The number indicated in the Equipment Breakdown Supplemental Declarations will be multiplied by the ADV as determined above. The result shall be used as the applicable deductible.

(4) Percentage of Loss Deductibles

If a deductible is expressed as a percentage of loss, we will not be liable for the indicated percentage of the gross amount of loss, damage or expense (prior to any applicable deductible or coinsurance) insured under the applicable coverage. If the dollar amount of such percentage is less than the indicated minimum deductible, the minimum deductible will be the applicable deductible.

## 2. CONDITIONS

The following conditions are in addition to the Conditions in the Building and Personal Property Coverage Form, the Commercial Property Conditions and the Common Policy Conditions.

### a. Suspension

Whenever "covered equipment" is found to be in, or exposed to, a dangerous condition, any of our representatives may immediately suspend the insurance against loss from an "accident" to that "covered equipment." This can be done by mailing or delivering a written notice of suspension to:

- (1) your last known address; or
- (2) the address where the "covered equipment" is located.

Once suspended in this way, your insurance can be reinstated only by an endorsement for that "covered equipment." If we suspend your insurance, you will get a pro rata refund of premium for that "covered equipment" for the period of suspension. But the suspension will be effective even if we have not yet made or offered a refund.

**b. Jurisdictional Inspections**

If any property that is "covered equipment" under this endorsement requires inspection to comply with state or municipal boiler and pressure vessel regulations, we agree to perform such inspection on your behalf. We do not warrant that conditions are safe or healthful.

**c. Environmental, Safety and Efficiency Improvements**

If "covered equipment" requires replacement due to an "accident," we will pay your additional cost to replace with equipment that is better for the environment, safer or more efficient than the equipment being replaced. However, we will not pay more than 125% of what the cost would have been to replace with like kind and quality. This condition does not increase any of the applicable limits. This condition does not apply to any property to which Actual Cash Value applies.

**d. Coinsurance**

If a coinsurance percentage is shown in an Equipment Breakdown Supplemental Declarations for specified coverages, the following condition applies.

We will not pay for the full amount of your loss if the applicable limit is less than the product of the specified coinsurance percentage times the value of the property subject to the coverage at the time of the loss. Instead, we will determine what percentage this calculated product is compared to the applicable limit and apply that percentage to the gross amount of loss. We will then subtract the applicable deductible. The resulting amount, or the applicable limit, is the most we will pay. We will not pay for the remainder of the loss. Coinsurance applies separately to each insured location.

The most we will pay for loss, damage or expense under this endorsement arising from any "one accident" or any one occurrence is the applicable Limit of Insurance in the Declarations unless otherwise shown in an Equipment Breakdown Supplemental Declarations. Coverage provided under this endorsement does not provide an additional amount of Insurance.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**



Policy Number: MCP0171500

Mt. Hawley Insurance Company

## COMMERCIAL PROPERTY CONDITIONS

This Coverage Part is subject to the following conditions, the Common Policy Conditions and applicable Loss Conditions and Additional Conditions in Commercial Property Coverage Forms.

### A. CONCEALMENT, MISREPRESENTATION OR FRAUD

This Coverage Part is void in any case of fraud by you as it relates to this Coverage Part at any time. It is also void if you or any other insured, at any time, intentionally conceal or misrepresent a material fact concerning:

1. This Coverage Part;
2. The Covered Property;
3. Your interest in the Covered Property; or
4. A claim under this Coverage Part.

### B. CONTROL OF PROPERTY

Any act or neglect of any person other than you beyond your direction or control will not affect this insurance.

The breach of any condition of this Coverage Part at any one or more locations will not affect coverage at any location where, at the time of loss or damage, the breach of condition does not exist.

### C. INSURANCE UNDER TWO OR MORE COVERAGES

If two or more of this policy's coverages apply to the same loss or damage, we will not pay more than the actual amount of the loss or damage.

### D. LEGAL ACTION AGAINST US

No one may bring a legal action against us under this Coverage Part unless:

1. There has been full compliance with all of the terms of this Coverage Part; and
2. The action is brought within 2 years after the date on which the direct physical loss or damage occurred.

### E. LIBERALIZATION

If we adopt any revision that would broaden the coverage under this Coverage Part without additional premium within 45 days prior to or during the policy period, the broadened coverage will immediately apply to this Coverage Part.

### F. NO BENEFIT TO BAILEE

No person or organization, other than you, having custody of Covered Property will benefit from this insurance.

### G. OTHER INSURANCE

1. You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this Coverage Part. If you do, we will pay our share of the covered loss or damage. Our share is the proportion that the applicable Limit of Insurance under this Coverage Part bears to the Limits of Insurance of all insurance covering on the same basis.
2. If there is other insurance covering the same loss or damage, other than that described in 1. above, we will pay only for the amount of covered loss or damage in excess of the amount due from that other insurance, whether you can collect on it or not. But we will not pay more than the applicable Limit of Insurance.

### H. POLICY PERIOD, COVERAGE TERRITORY

Under this Coverage Part:

1. We cover loss or damage commencing:
  - a. During the policy period shown in the Declarations; and
  - b. Within the coverage territory.
2. The coverage territory is:
  - a. The United States of America (including its territories and possessions);

b. Puerto Rico; and

c. Canada.

**I. TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US**

If any person or organization to or for whom we make payment under this Coverage Part has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That person or organization must do everything necessary to secure our rights and must do nothing after loss to impair them. But you may waive your rights against another party in writing:

1. Prior to a loss to your Covered Property or Covered Income.

2. After a loss to your Covered Property or Covered Income only if, at time of loss, that party is one of the following:

a. Someone insured by this insurance;

b. A business firm:

(1) Owned or controlled by you; or

(2) That owns or controls you; or

c. Your tenant.

This will not restrict your insurance.

Policy Number: MCP0171500

Mt. Hawley Insurance Company

## COMMON POLICY CONDITIONS

All Coverage Parts included in this policy are subject to the following conditions.

### A. CANCELLATION

1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.
2. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:
  - a. 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
  - b. 30 days before the effective date of cancellation if we cancel for any other reason.
3. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.
4. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
5. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata. The cancellation will be effective even if we have not made or offered a refund.
6. If notice is mailed, proof of mailing will be sufficient proof of notice.

### B. CHANGES

This policy contains all the agreements between you and us concerning the insurance afforded. The first Named Insured shown in the Declarations is authorized to make changes in the terms of this policy with our consent. This policy's terms can be amended or waived only by endorsement issued by us and made a part of this policy.

### C. EXAMINATION OF YOUR BOOKS AND RECORDS

We may examine and audit your books and records as they relate to this policy at any time during the policy period and up to three years afterward.

### D. INSPECTIONS AND SURVEYS

1. We have the right to:
  - a. Make inspections and surveys at any time;
  - b. Give you reports on the conditions we find; and
  - c. Recommend changes.
2. We are not obligated to make any inspections, surveys, reports or recommendations and any such actions we do undertake relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. And we do not warrant that conditions:
  - a. Are safe or healthful; or
  - b. Comply with laws, regulations, codes or standards.
3. Paragraphs 1. and 2. of this condition apply not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.
4. Paragraph 2. of this condition does not apply to any inspections, surveys, reports or recommendations we may make relative to certification, under state or municipal statutes, ordinances or regulations, of boilers, pressure vessels or elevators.

### E. Premiums

The first Named Insured shown in the Declarations:

1. Is responsible for the payment of all premiums; and
2. Will be the payee for any return premiums we pay.

**F. Transfer Of Your Rights And Duties Under This Policy**

Your rights and duties under this policy may not be transferred without our written consent except in the case of death of an individual named insured.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

Policy Number: MCP0171500

Mt. Hawley Insurance Company

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**DEBRIS REMOVAL ADDITIONAL INSURANCE**

This endorsement modifies insurance provided under the following:

BUILDERS' RISK COVERAGE FORM  
BUILDING AND PERSONAL PROPERTY COVERAGE FORM  
CONDOMINIUM ASSOCIATION COVERAGE FORM  
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM  
STANDARD PROPERTY POLICY  
TOBACCO SALES WAREHOUSES COVERAGE FORM

**SCHEDULE\***

Prem. No.	Bldg. No.	Debris Removal Amount	Additional Premium
00001	001	\$20,000	Included
*Information required to complete this Schedule, if not shown on this endorsement, will be shown in the Declarations.			

The additional amount of \$10,000 for debris removal in the **Debris Removal** Additional Coverages section is replaced by the higher amount shown in the Schedule.



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Mt. Hawley Insurance Company

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**OUTDOOR SIGNS**

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM  
 CONDOMINIUM ASSOCIATION COVERAGE FORM  
 CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM  
 STANDARD PROPERTY POLICY

**SCHEDULE**

<b>Premises Number:</b>	See CPR-2162	<b>Building Number:</b>	
<b>Description Of Sign:</b>			
<b>Construction Of Sign:</b>	<input type="checkbox"/> Entirely Metal	<input type="checkbox"/> Other	
<b>Limit Of Insurance:</b>	\$See CPR-2162		
<b>Coinurance Percentage:</b>	%		
<b>Additional Premium:</b>	\$		
<b>Premises Number:</b>		<b>Building Number:</b>	
<b>Description Of Sign:</b>			
<b>Construction Of Sign:</b>	<input type="checkbox"/> Entirely Metal	<input type="checkbox"/> Other	
<b>Limit Of Insurance:</b>	\$		
<b>Coinurance Percentage:</b>	%		
<b>Additional Premium:</b>	\$		
<b>Premises Number:</b>		<b>Building Number:</b>	
<b>Description Of Sign:</b>			
<b>Construction Of Sign:</b>	<input type="checkbox"/> Entirely Metal	<input type="checkbox"/> Other	
<b>Limit Of Insurance:</b>	\$		
<b>Coinurance Percentage:</b>	%		
<b>Additional Premium:</b>	\$		
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.			

With respect to the outdoor signs described in the Schedule, the provision in the Limits Of Insurance section which pertains to signs does not apply. The limit applicable to each sign is shown in the Schedule. The limit applicable to each sign is the most we will pay for loss or damage to the sign in any one occurrence.

Policy Number: MCP0171500

Mt. Hawley Insurance Company

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ELECTRONIC DATA PROCESSING ENDORSEMENT****1. LIMITS OF INSURANCE**

Coverage is only provided under this endorsement for Items A. through D. below when a dollar amount is shown beside the coverage part. We will not pay more than the Limits of Insurance specified below in respect to any one occurrence, and in no event will we pay more than the Limits of Insurance of the policy to which this endorsement is attached.

- A. **Hardware:** \$ 25,000
- B. **Software:** \$ Included in above
- C. **Extra Expense:** \$ Not Covered
- D. **Business Interruption:** \$ Not Covered

**2. SPECIFIC HARDWARE OR SOFTWARE TO BE EXCLUDED****3. PROPERTY COVERED**

We will pay for direct physical loss of or damage to covered property caused by a Covered Cause of Loss at the premises described in the Schedule. Covered property, as used in this endorsement, means the type of property described in this section if a Limit of Insurance is shown above for that type of property.

- A. **Hardware**, meaning a network of electronic machine components including microprocessors (firmware) capable of accepting instructions and information, processing the information according to the instructions, and producing desired results; computer networks; and peripheral data processing equipment. Such equipment may be owned by you or leased, rented or under your control. Hardware does not include communication systems or protection and control systems.
- B. **Software**, meaning electronic data processing, recording or storage software such as films, tapes, cards, discs, drums or cells, and data and programming records used for electronic data processing or electronically controlled equipment, stored on media.

**C. Extra Expense**

- 1. We will pay the actual and necessary extra expenses you incur during the "period of restoration":
  - a. To continue your "normal" electronic data processing operations that are interrupted due to direct physical loss or damage caused by a Covered Cause of Loss to covered property owned, leased, rented or under your control; while at the described premises;
  - b. To repair, replace, or restore any covered hardware or software, but only to the extent that they reduce the loss otherwise payable under this coverage part.
- 2. We will not pay under this Extra Expense coverage for:
  - a. More than the actual loss sustained or the amount shown in item 1. **LIMITS OF INSURANCE, C. Extra Expense**, whichever is less; or
  - b. Loss of profits or earnings resulting from a decrease or reduction of business.

**D. Business Interruption**

1. We will pay for the actual loss of "business income" you incur due to the necessary suspension of your "operations" during the "period of restoration." The suspension must be caused by direct physical loss or damage as a result of a Covered Cause of Loss to covered property at the described premises, including personal property in the open (or in a vehicle) within 100 feet of the described premises.
2. We will only pay for loss of "business income" that occurs within 12 consecutive months after the date of direct physical loss or damage.

**4. PROPERTY NOT COVERED**

- A. Accounts, bills, money, currency, notes, securities, or other evidences of debt, securities, valuable papers, records, abstracts, deeds, manuscripts, program documentation or other documents except those that are in soft-ware form, and then only in that form;
- B. Property rented or leased to others while away from your premises;
- C. Your stock in trade; and/or
- D. Any machinery or equipment, other than hardware, whether or not controlled by a data processing system.

**5. EXCLUSIONS**

- A. Actual work upon the property covered.
- B. Error or omission in machine programming or instructions to machine.
- C. Errors, omissions or deficiencies in design, specifications, materials or workmanship.
- D. Loss from processing operations.

**6. VALUATION**

- A. The value of covered property will be based on the actual cash value at the time of the loss (with a deduction for depreciation). We will not pay more than what it will cost to repair, rebuild or replace the property with other property of like kind and quality. We will also not pay more than the amount shown under Item 1. **LIMITS OF INSURANCE.**
- B. In determining the amount of loss when extra expense coverage is provided, the following also apply:
  1. The salvage value of any property bought for temporary use will be deducted from the amount of loss extra expense; and
  2. We will not pay for any increase in loss due to your failure to use reasonable efforts to resume all or part of your business. This includes making use of other locations and property to reduce the loss.

**7. RESUMPTION OF OPERATIONS**

As soon as practicable after any loss, you must resume complete or partial business "operations" of the covered property and, as much as practicable, reduce or dispense with the additional charges and expenses that are being incurred.

## 8. DEFINITIONS

- A. "Normal" means the conditions that would have existed had no loss occurred.
  - B. "Business Income" means:
    - 1. Net Income (net profit or loss before income taxes) that would have been earned or incurred; and
    - 2. Continuing "normal" operating expenses incurred, including payroll.
  - C. "Operations" means your business activities occurring at the described premises.
  - D. "Period of restoration" means the period of time that:
    - 1. Begins with the date of direct physical loss or damage caused by or resulting from any Covered Cause of Loss at the described premises; and
    - 2. Ends on the date when the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality, or the date when business is resumed at a new permanent location.
- "Period of restoration" does not include any increased period required due to the enforcement of any ordinance or law that:
- (a) Regulates the construction, use or repair, or requires the tearing down of any property; or
  - (b) Requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to or assess the effects of pollutants.

The expiration date of this policy will not cut short the "period of restoration."

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**VALUABLE PAPERS AND RECORDS**

We will pay for direct physical loss of or damage to "Valuable Papers and Records," as defined below and subject to the following provisions:

**1. COVERED PROPERTY**

This extension of coverage applies to "Valuable Papers and Records" while on the "Premises" located at the following locations (except as provided for in paragraph 2.) and is subject to the limit indicated below:

**A. All "Valuable Papers and Records" not specified in B. below:****LOCATION:**

All

**LIMIT OF LIABILITY:**

\$ 25,000

**B. Specified Articles:****DESCRIPTION OF ARTICLES:**

N/A

**LIMIT OF LIABILITY:**

\$ N/A

**2. DEFINITIONS**

"Valuable Papers and Records" means written, printed or inscribed documents, manuscripts or records, including books, maps, films, drawings, abstracts, deeds or mortgages. "Valuable Papers and Records" does not mean "money" or "securities," converted data, programs or instructions used in your data processing operations, including the materials on which the data is recorded.

"Premises" means the interior of that portion of the building at the location(s) designated above that you occupy for your business.

"Money" means currency, coins, bullion and bank notes whether or not in current use, as well as travelers checks, registered checks and money orders held for sale to the public.

"Securities" means all negotiable and non-negotiable instruments or contracts representing either money or other property and includes revenue and other stamps in current use, tokens and tickets. "Securities" also means evidences of debt issued in connection with credit or charge cards, which cards are not of your own issue. "Securities" does not include money.

**3. EXCLUSIONS**

The following exclusions apply to coverage provided by this endorsement and are in addition to exclusions contained elsewhere in this policy:

**A. This endorsement does not insure against physical loss of or damage to:**

1. Property not specifically declared, described and valued in paragraph 1.B. of this endorsement if such property cannot be replaced with other of like kind and quality or restored to usable conditions;



2. Property held as samples or for sale or for delivery after sale; or
3. Data processing equipment and media. Media means magnetic tapes, disk packs, diskettes, paper tapes, cards, and other material on which data is stored. It includes data stored on the media.

B. This endorsement does not insure against loss resulting from:

1. Errors or omissions in processing or copying;
2. Unauthorized instructions to transfer property to any person or to any place;
3. Voluntary parting with any property by the insured or any associate, proprietor, partner, director, trustee, officer, employee or agent of any insured if induced to do so by any fraudulent scheme, trick, device or false pretense.

#### 4. LIMIT OF INSURANCE

We will not pay more than:

- A. The amount scheduled under paragraph 1.B. of this endorsement; or
- B. The least of the following if not scheduled under paragraph 1.B. of this endorsement:
  1. The cost to research (to the extent necessary) and replace the "Valuable Papers and Records"; or
  2. The cost to repair or restore the "Valuable Papers or Records"; or
  3. The applicable limit stated in this endorsement.

However, we will not, in any case, pay more than the Per Occurrence Loss Limit shown in the Declarations in one disaster, casualty, or event, no matter how many locations are involved.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.****ACCOUNTS RECEIVABLE**

We will pay for direct physical loss of or damage to Accounts Receivable, as defined below and subject to the following provisions:

**1. COVERAGE****A. We will pay:**

1. All sums due from your customers that you are unable to collect thereof as the direct result of loss of or damage to records of accounts receivable;
2. Interest charges on any loan required to offset amounts you are unable to collect pending our payment of these amounts;
3. Collection expenses in excess of your normal collection expenses that are made necessary by the loss or damage;
4. Other reasonable expenses that you incur to re-establish your records of accounts receivable;

That result from direct physical loss of or damage to your records of accounts receivable.

- B.** This extension of coverage applies to records of accounts receivable while on the "premises" at the following locations and is subject to Limit of Insurance indicated below:

<b>LOCATION</b>	<b>LIMIT OF INSURANCE</b>
All	\$ 25,000
N/A	\$ N/A

**2. PERILS NOT COVERED**

We will not pay for loss or damage:

- A.** Caused directly or indirectly by bookkeeping, accounting or billing errors or omissions;
- B.** That requires any audit of records or an inventory computation to prove its factual existence;
- C.** Due to alteration, falsification, manipulation, concealment, destruction or disposal of records of accounts receivable done to conceal the wrongful giving, taking, obtaining or withholding of money, securities or other property, but only to the extent to such wrongful giving, taking, obtaining or withholding;
- D.** Unauthorized instructions to transfer property to any person or to any place;
- E.** Due to an error or omission in programming; or
- F.** Caused by providing improper data entry instructions.

**3. DEFINITION**

"Premises" means the interior of that portion of the building at the location(s) designated above that you occupy for your business.

#### 4. DETERMINATION OF RECEIVABLES

- A. If you cannot accurately establish the amount of accounts receivable outstanding as of the time of loss or damage, the following method will be used:
1. Determine the total of the average monthly amounts of accounts receivable for the 12 months immediately preceding the month in which the loss or damage occurs; and
  2. Adjust that total for any normal fluctuations in the amount of accounts receivable for the month in which the loss or damage occurred or for any demonstrated variance from the average for that month.
- B. The following will be deducted from the total amount of accounts receivable, however that amount is established:
1. The amount of the accounts for which there is no loss or damage;
  2. The amount of the accounts that you are able to re-establish or collect;
  3. An amount to allow for probable bad debts that you are normally unable to collect; and
  4. All unearned interest and service charges.

However, we will not, in any case, pay more than the Per Occurrence Loss Limit shown in the Declarations in one disaster, casualty, or event, no matter how many locations are involved.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **MORTGAGEE ENDORSEMENT**

The following Mortgage Holder(s) is added:

Inter National Bank  
P.O. Box 1700  
McAllen, TX 78505-0000  
#Location 1, Building 1 Loan #52319

U. S. Small Business Administration  
1801 Auburn Avenue St 101  
c/o Brownsville Local Development Co. IN  
Brownsville, TX 78523-0000  
#Location 1, Building 1

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**ORDINANCE OR LAW COVERAGE – COMBINED LIMIT**☒ Coverages **A**, **B**, and **C** Combined Limit Of Insurance \$50,000

This Limit Of Insurance does not increase the Per Occurrence Loss Limit as stated in the Declarations and applies to all locations unless specified below:

**A. Coverage**

The Coverage(s) provided by this endorsement applies only if both **A.1.** and **A.2.** are satisfied and are then subject to the qualifications set forth in **A.3.**

**1. The ordinance or law:**

- a.** Regulates the demolition, construction or repair of buildings, or establishes zoning or land use requirements at the described premises; and
- b.** Is in force at the time of loss.

But coverage under this endorsement applies only in response to the minimum requirements of the ordinance or law. Losses and costs incurred in complying with recommended actions or standards that exceed actual requirements are not covered under this endorsement.

- 2. a.** The building sustains direct physical damage that is covered under this policy and as a direct result of such covered damage, you are required to comply with the ordinance or law; or
- b.** The building sustains both direct physical damage that is covered under this policy and direct physical damage that is not covered under this policy, and as a direct result of the building damage in its entirety, you are required to comply with the ordinance or law.
- c.** But if the building sustains direct physical damage that is not covered under this policy, and such damage is the subject of the ordinance or law, then there is no coverage under this endorsement even if the building has also sustained covered direct physical damage.
- 3.** In the situation described in **A.2.b.** above, we will not pay the full amount of loss otherwise payable under the terms of Coverages **A**, **B**, and/or **C** of this endorsement. Instead, we will pay a proportion of such loss, meaning the proportion that the covered direct physical damage bears to the total direct physical damage.

However, if the covered direct physical damage, alone, would have resulted in a requirement to comply with the ordinance or law, then we will pay the full amount of loss otherwise payable under the terms of Coverages **A**, **B** and/or **C** of this endorsement.

**B. We will not pay under Coverage **A**, **B** or **C** of this endorsement for:**

- 1.** Enforcement of or compliance with any ordinance or law which requires the demolition, repair, replacement, reconstruction, remodeling or remediation of property due to contamination by "pollutants" or due to the presence, growth, proliferation, spread or any activity of "fungus", wet or dry rot or bacteria; or



2. The costs associated with the enforcement of or compliance with any ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants", "fungus", wet or dry rot or bacteria.

**C. Coverage A – Coverage For Loss To The Undamaged Portion Of The Building.**

With respect to the building that has sustained covered direct physical damage, we will pay under Coverage A for the loss to the undamaged portion of the building as a consequence of a requirement to comply with an ordinance or law that requires demolition of undamaged parts of the same building.

Coverage A is included within the Limit Of Insurance applicable to the covered property shown in the Declarations. This is not additional insurance.

**D. Coverage B – Demolition Cost Coverage.**

With respect to the building that has sustained covered direct physical damage, we will pay the cost to demolish and clear the site of undamaged parts of the same building as a consequence of a requirement to comply with an ordinance or law that requires demolition of such undamaged property.

Any coinsurance conditions do not apply to **Demolition Cost Coverage**.

**E. Coverage C – Increased Cost Of Construction Coverage.**

With respect to the building that has sustained covered direct physical damage, we will pay the increased cost to:

1. Repair or reconstruct damaged portions of that building caused by a covered peril; and/or
2. Reconstruct or remodel undamaged portions of that building, whether or not demolition is required;

when the increased cost is a consequence of a requirement to comply with the minimum standards of the ordinance or law.

However:

1. This coverage applies only if the restored or remodeled property is intended for similar occupancy as the current property, unless such occupancy is not permitted by zoning or land use ordinance or law.
2. We will not pay for the increased cost of construction if the building is not repaired, reconstructed or remodeled.

Any coinsurance Conditions do not apply to **Increased Cost Of Construction**.

**F. Loss Payment**

The most we will pay, for the total of all covered losses for Loss to the Undamaged Portion of the Building, Demolition Cost and Increased Cost Of Construction is the Combined Limit Of Insurance shown above. Subject to this Combined Limit Of Insurance, the following loss payment provisions apply:

1. When there is a loss to an undamaged portion of a building to which Coverage A applies:
  - a. If Replacement Cost applies and the property is repaired or replaced, on the same or another premises, we will not pay more for loss or damage to covered buildings or structures, including loss caused by enforcement of an ordinance or law, than the lesser of:
    - (1) The amount you actually spend to repair, rebuild or reconstruct the building or structure, but not for more than the amount it would cost to restore the building or structure on the same premises and to the same height, floor area, style and comparable quality of the original property insured; or

- (2) The applicable Loss to the Undamaged Portion of the Building Limit Of Insurance shown above; or
  - (3) The Limit Of Insurance applicable to the covered building or structure; or
  - (4) The values you provided to us for the specific property involved in the loss which were accepted by us prior to the loss.
- b. If the Replacement Cost Coverage Option applies and the property is not repaired or replaced, or if the Replacement Cost Coverage Option does not apply, we will not pay more than the lesser of:
- (1) The Actual Cash Value of the building or structure at the time of loss; or
  - (2) The Limit Of Insurance applicable to the covered building or structure; or
  - (3) The values you provided to us for the specific property involved in the loss which were accepted by us prior to the loss.
2. For **Demolition Cost**, we will not pay more than the amount you actually spend to demolish and clear the site of the described premises.
3. With respect to the **Increased Cost Of Construction**:
- a. We will not pay for the increased cost of construction:
    - (1) Until the property is actually repaired or replaced, at the same or another premises; and
    - (2) Unless the repair or replacement is made as soon as reasonably possible after the loss or damage, not to exceed two years. We may extend this period in writing during the two years.
  - b. If the building is repaired or replaced at the same premises, or if you elect to rebuild at another premises, the most we will pay for the increased cost of construction is the increased cost of construction at the same premises.
  - c. If the ordinance or law requires relocation to another premises, the most we will pay for the increased cost of construction is the increased cost of construction at the new premises.
- G. Under this endorsement we will not pay for loss due to any ordinance or law that you were required to comply with before the loss, even if the building was undamaged. Ordinance or law violations that exist independent of a covered cause of loss are not covered.
- H. The terms of this endorsement apply per occurrence and are a part of, and not in addition to, the Per Occurrence Loss Limit shown in the Declarations.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**PROTECTIVE SAFEGUARD ENDORSEMENT**

As a condition of this insurance, you agree that the Protective Safeguard Devices set forth in the Schedule below shall be maintained in complete working order by you at all times during the Policy Period and the Protective Safeguard Services set forth in the Schedule below shall be maintained at all times during the Policy Period. In the event of a claim, you must demonstrate full compliance with the Protective Safeguard requirements set forth in this endorsement, including providing contracts, invoices, photos, or other relevant documentation. We will not pay for loss or damage if:

1. Any Protective Safeguard Device listed in the Schedule below is not in complete working order and fully operational at the time of loss or damage; and
2. Any Protective Safeguard Service listed in the Schedule below is not in effect and in full compliance with the requirements set forth in this endorsement; and
3. Any Protective Safeguard Device or Service listed in the Schedule below is not in compliance with all applicable local, state, and federal requirements at the time of loss or damage.

**Schedule****Protective Device or Service****Location**

P-1A

00001-001

**"P-1" Automatic Fire Protection System Device**, means an automatic fire extinguishing system protecting each entire building or structure at each Location shown in the Schedule above, including but not limited to all sprinkler heads, discharge nozzles, ducts, pipes, valves, fittings, tanks, hydrants, standpipes, outlets, pumps and fire protection mains.

**"P-1A" Automatic Fire Protection System Service**, means that you must have a written contract signed by both parties prior to any loss or damage with a licensed fire inspection independent contractor to inspect and test your Automatic Fire Protection System(s) at least once every 12 months. Failure to provide documentation showing that each Automatic Fire Protection System Device at a scheduled Location has passed inspection within the 18 months immediately prior to any loss or damage voids coverage. This requirement is in addition to any testing or inspection required by applicable local, state, or federal requirements.

**"P-2" Automatic Fire Alarm Device**, means a fire alarm protecting each entire building or structure at each Location shown in the Schedule above, which sends a signal that is received by a central station or a public or private fire alarm station.

**"P-3" Security Service**, means at least one watchperson provides regularly scheduled monitoring at each Location shown in the Schedule above and maintains contemporaneous logbook records of such regularly scheduled monitoring during all non-regularly scheduled work hours and whenever the premises are unoccupied.

**"P-4" Fire Protection Service**, means you have a written contract signed by both parties, prior to any loss or damage, with a privately owned fire department providing fire protection service to each Location shown in the Schedule above.

**"BR-1" Central Station Automatic Burglar Alarm Device**, means an automatic burglar alarm system protecting the entire building or structure at each Location shown in the Schedule above, including but not limited to protection of "openings and entryways", and that sends a signal that is received by a central station or a police station. "Openings and entryways" includes but is not limited to gates, doors, windows, hatchways and any other openings or means of possible ingress or egress.

**"BR-2" Automatic Burglar Alarm Device**, means a Burglar alarm system protecting the entire building or structure at each Location shown in the Schedule above, including but not limited to protection of "openings and entryways", and that has a loud sounding alarm or siren on the outside of the building or structure. "Openings and entryways" includes but is not limited to gates, doors, windows, hatchways and any other openings or means of possible ingress or egress.

**"CC-1" Cooking Equipment Safeguard Device**, means an automatic fire suppression system approved by Underwriters Laboratories (U.L.) protecting all cooking equipment, hoods, grease filters, and related duct areas at each Location shown in the Schedule above.

**"CC-1A" Cooking Equipment Safeguard Service**, means you must have a written contract signed by both parties, prior to any loss or damage, with an independent contractor for the express purpose of cleaning and degreasing all hoods, grease filters, and duct systems connected to all cooking units at the Locations shown in the Schedule above at least once every 6 months. You must provide documentation of this Service being completed within 6 months immediately prior to any claimed loss or damage. Failure to provide documentation showing that all Cooking Equipment at each scheduled Location has undergone the required cleaning and degreasing within the 6 months immediately prior to any loss or damage voids coverage. This requirement is in addition to any testing or inspection required by applicable local, state, or federal requirements.

**"FE-1" Fire Extinguishers Device**, means fully functional fire extinguishers are located throughout each building or structure at each Location shown in the Schedule above and in full compliance with all local, state, and federal requirements.

**"FMS-1" Flammable Materials Storage**, means all flammable materials, including but not limited to gases, liquids, or solvents are stored in full compliance with all local, state, and federal requirements throughout each building or structure at each Location shown in the Schedule above and within Underwriters Laboratories (U.L.) or National Fire Protection Association (NFPA) approved cabinets, cages, or other storage devices.

**"FP-1" Fenced Premises Device**, means a continuous and uninterrupted fence that completely surrounds the building(s) or structure(s) at each Location shown in the Schedule above. All fence gates must be locked during all non-regularly scheduled work hours and whenever the premises are unoccupied.

**"P-9"** The protective device or service set forth in the above Schedule.

**"SP-1" Secured Premises Device**, means all "openings and entryways" for each entire building or structure at each Location shown in the Schedule above, are securely locked at all times to prevent unauthorized entry. "Openings and entryways" includes but is not limited to gates, doors, windows, hatchways and any other openings or means of possible ingress or egress.

**"SD-1" Smoke Detector Device**, means fully functional smoke detectors are located throughout each building or structure at each Location shown in the Schedule above and in full compliance with all local, state, and federal requirements.

**"UT-1" Utility Service**, means all utility services necessary to prevent freezing of any and all pipes and drains are connected and fully operational at each building or structure at each Location shown in the Schedule above.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**



Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **ASBESTOS EXCLUSION**

It is agreed that this policy does not insure against loss or damage arising from asbestos material, including but not limited to costs or expenses incurred by the Insured as a result of any of the following:

- (1) asbestos material removal, containment, or other abatement;
- (2) demolition or increased cost of construction, repair, debris removal, or loss of use necessitated by the enforcement of any law or ordinance regulating asbestos material; and/or
- (3) any governmental direction or request declaring that such asbestos material present in or part of or utilized on any undamaged portion of the Insured's property can no longer be used for the purpose for which it was intended or installed and must be removed or modified;

Nor does any coverage provided by this policy apply to payment for the investigation or defense of any loss, damage or any cost, loss of use expense, fine or penalty or for any expense or claim or suit related to any of the above.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **WATER EXCLUSION ENDORSEMENT**

This endorsement modifies insurance provided under the following:

COMMERCIAL PROPERTY COVERAGE PART  
STANDARD PROPERTY POLICY

**A.** The exclusion in Paragraph B. replaces the **Water** Exclusion in this Coverage Part or Policy.

**B. Water**

1. Flood, surface water, waves (including tidal wave and tsunami), tides, tidal water, overflow of any body of water, or spray from any of these, all whether or not driven by wind (including storm surge);
2. Mudslide or mudflow;
3. Water that backs up or overflows or is otherwise discharged from a sewer, drain, sump, sump pump or related equipment;
4. Water under the ground surface pressing on, or flowing or seeping through:
  - a. Foundations, walls, floors or paved surfaces;
  - b. Basements, whether paved or not; or
  - c. Doors, windows or other openings; or

5. Waterborne material carried or otherwise moved by any of the water referred to in Paragraph 1., 3. or 4., or material carried or otherwise moved by mudslide or mudflow.

This exclusion applies regardless of whether any of the above, in Paragraphs 1. through 5., is caused by an act of nature or is otherwise caused. An example of a situation to which this exclusion applies is the situation where a dam, levee, seawall or other boundary or containment system falls in whole or in part, for any reason, to contain the water.

But if any of the above, in Paragraphs 1. through 5., results in fire, explosion or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion or sprinkler leakage (if sprinkler leakage is a Covered Cause of Loss).

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **DEFINITION OF OCCURRENCE**

Occurrence means the total loss or damage caused by a distinct, single incidence of a peril or combination of perils insured against, except:

- A.** For a single atmospheric disturbance including tornado, cyclone, hurricane, windstorm, hail, tropical storm or cyclone, typhoon, hail and winter storm/freeze, an occurrence is limited to the total of all losses, damage, or expenses sustained or commencing during a continuous 144 hour period;
- B.** For riot, riot attending a strike and civil commotion an occurrence is limited to the total of all losses, damage or expenses sustained or commencing during a continuous 96 hour period.

In reference to Items **A.** and **B.** above, you may decide when the applicable continuous number of hour period begins.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **TERRORISM EXCLUSION**

1. We will not pay for loss, damage, cost or expense caused directly or indirectly by "terrorism" including "certified acts of terrorism," as defined in the Terrorism Risk Insurance Act, as amended, unless specifically provided by endorsement to this policy or any action taken to control, prevent, or suppress terrorism. Such loss, damage, cost or expense is excluded regardless of any other cause or event that contributes concurrently or in any sequence to this loss.

2. The following definition is added and applies under this endorsement wherever the term "terrorism" is used.

"Terrorism" means activities against persons, organizations or property of any nature:

A. That involve the following or preparation for the following:

1. Use or threat of force or violence; or
2. Commission or threat of a dangerous act; or
3. Commission or threat of an act that interferes with or disrupts an electronic, communication, information, or mechanical system; and

B. When one or both of the following applies:

1. The effect is to intimidate or coerce a government or the civilian population or any segment thereof, or to disrupt any segment of the economy; or
2. It appears that the intent is to intimidate or coerce a government, or to further political, ideological, religious, social or economic objectives or to express (or express opposition to) a philosophy or ideology.

3. Fire Exception

The following provision applies only where relevant state law requires coverage for fire losses resulting from acts of terrorism, and where a premium for such has been paid.

If an act of terrorism results in fire, we will pay for the loss or damage caused by that fire. This exception for fire applies only to direct loss or damage by fire to covered property. This exception does not apply to coverage for business income, extra expense, or fire legal liability.

4. Neither the terms of this endorsement nor the terms of any other terrorism endorsement attached to this policy provide coverage for any loss that would otherwise be excluded by this policy under:

- A. Exclusions that address war, military action, or nuclear hazard; or
- B. Any other exclusion.

5. The absence of any other terrorism endorsement does not imply coverage for any loss that would otherwise be excluded by this policy under:

- A. Exclusions that address war, military action, or nuclear hazard; or
- B. Any other exclusion.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **FIRE DEPARTMENT SERVICE CHARGES ENDORSEMENT**

When made a part of this policy, this endorsement replaces any Fire Department Service Charge wording that may appear elsewhere in this policy.

- A. When the fire department is called to save or protect Covered Property from a Covered Cause of Loss, we will pay your fire department service charges that are:
  - 1. Assumed by contract or agreement prior to loss; or
  - 2. Required by local ordinance.
- B. The most we will pay for this coverage under this endorsement in any one loss is the amount specifically stated in the Declarations. This Limit of Insurance is part of, and not in addition to, the Per Occurrence Loss Limit shown in the Declarations.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**



Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **UNNAMED LOCATIONS EXTENSION**

This policy is extended to cover direct physical loss or damage to your Covered Property from a Covered Cause of Loss when that Covered Property is at a location(s) other than described in this policy.

The most we will pay for coverage under this endorsement in any one loss is the amount specifically stated for Unnamed Locations in the Declarations. This Limit of Insurance is part of, and not in addition to, the Per Occurrence Loss Limit shown in the Declarations.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **MINIMUM EARNED PREMIUM ENDORSEMENT**

This endorsement changes Cancellation conditions elsewhere in the policy as follows:

If you cancel this policy, the earned premium will be calculated as follows:

- (1) If the abbreviated term provides coverage for less than 50 days during the period May 15 through November 30, the premium earned for the policy term will be calculated as per the policy Cancellation terms but subject to a minimum earned premium of 35% of the annual policy premium or \$5,681, whichever is greater.
- (2) If the abbreviated term provides coverage for 50 or more days during the period May 15 through November 30, the premium earned for the policy term will be calculated as per the policy Cancellation terms but subject to a minimum earned premium of 80% of the annual policy premium or \$12,985, whichever is greater.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **NON-PAYMENT OF PREMIUM**

Your failure to make a timely payment of any premium due either at inception of this policy or for any subsequent endorsement will be considered a request by you to us to cancel the policy.

If we cancel for non-payment of premium, the minimum earned premium, as determined by the Minimum Earned Premium Endorsement included in this policy, will be immediately due and payable.

At our discretion, we may consider reinstating coverage if you pay us the full amount of premium due prior to the effective date of cancellation.

However, payment of overdue premium by you will not guarantee the reinstatement of coverage. Should we decide not to reinstate coverage, any unearned premium will be refunded accordingly.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **NUCLEAR, BIOLOGICAL, CHEMICAL OR RADIOACTIVE EXCLUSION**

We will not pay for loss, damage, cost, or expense directly or indirectly from:

- 1) The use or threatened use of nuclear, biological, chemical, radioactive substances or the like, however caused.
- 2) The accidental discharge of nuclear, biological, chemical, radioactive substances or the like, however caused.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **FIRE PROTECTION EQUIPMENT RECHARGE ENDORSEMENT**

We will pay up to \$5,000 for expenses incurred to recharge fire suppression systems or extinguishers when such systems or extinguishers are discharged to fight a hostile fire on the covered premises or if discharged due to another covered cause of loss. No deductible applies to this coverage.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **MONEY AND SECURITIES**

When this endorsement is made a part of the policy, we will pay for loss of "money" and "securities". This coverage is subject to the terms and conditions applicable to coverage in this policy and as provided below.

### **1. Money and Securities**

- a. We will pay for loss of "money" and "securities" used in your business while at a bank or savings institution, within your living quarters or the living quarters of your partners or any employee having use and custody of the property, at the described premises, or in transit between any of these places, resulting directly from:

- (1) Theft, meaning any act of stealing;
- (2) Disappearance; or
- (3) Destruction.

- b. In addition to the Limitations and Exclusions applicable to this policy, we will not pay for loss:

- (1) Resulting from accounting or arithmetical errors or omissions;
- (2) As a result of voluntary parting if induced to do so by any fraudulent scheme, trick, device, or false pretense. This includes, but not limited to, phishing email, social media scam, mobile device scam, or any other online scam facilitated by cybercriminals.
- (3) Due to the giving or surrendering of property in any exchange or purchase; or
- (4) Of property contained in any "money"-operated device unless the amount of "money" deposited in it is recorded by a continuous recording instrument in the device.
- (5) We will not pay for loss resulting from any dishonest or criminal act committed by any of your "Employees", directors, trustees or authorized representatives:
  - (a) Acting alone or in collusion with other persons; or
  - (b) While performing services for you or otherwise.

- c. The most we will pay for loss in any one occurrence is:

- (1) \$ 10,000 for Inside the Premises for "money" and "securities" while:
  - (a) In or on the described premises; or
  - (b) Within a bank or savings institution; and
- (2) \$ 10,000 for Outside the Premises for "money" and "securities" while anywhere else.

- d. All loss:

- (1) Caused by one or more persons; or



(2) Involving a single act or series of related acts;

is considered one occurrence.

e. You must keep records of all "money" and "securities" so we can verify the amount of any loss or damage.

For the purpose of this endorsement, the following definitions apply:

1. "Money" means:

- a. Currency, coins and bank notes in current use and having a face value; and
- b. Travelers checks, register checks and money orders held for sale to the public.

2. "Securities" means negotiable and non-negotiable instruments or contracts representing either "money" or other property and includes:

- a. Tokens, tickets, revenue and other stamps (whether represented by actual stamps or unused value in a meter) in current use; and
- b. Evidences of debt issued in connection with credit or charge cards, for which cards are not issued by you; but does not include "money".

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **GUEST PROPERTY**

When this endorsement is made a part of the policy, we will pay for direct physical loss or damage to Guests' Personal Property caused by or resulting from a Covered Cause of Loss while the property is in the building described at the Insured's premises or in the Insured's possession.

Coverage does not apply to vehicles or property contained in, on or around a vehicle.

The most we will pay for all loss resulting directly from an occurrence is the amount shown below:

Maximum Amount per Guest: \$500

Total Amount per Occurrence: \$2,500

This Limit of Insurance is part of, and not in addition to, the Per Occurrence Loss Limit shown in the Declarations.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **REPROGRAMMING OF KEY SYSTEMS/LOCK REPLACEMENT**

1. We will pay for loss or damage to, or cost to re-program "alternate key systems" from a Covered Cause of loss at the described premises on the Declarations.

For the purposes of this extension of coverage, "alternate key systems" means programmable keying systems, such as mechanically or electrically coded key cards, including auxiliary equipment such as card-programmers, card-readers, computers, related alarms, transceivers, power supplies and other electronic or mechanical apparatus needed to make the key cards work.

2. We will pay for the cost to repair or replace locks at the described premises due to theft or other loss of keys.
3. The most we will pay under this coverage for all loss or damage in any one occurrence is \$ See CPR-2147.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **PROPERTY IN TRANSIT ADDITIONAL COVERAGE**

The limit under Form CP-1030, Item F. Additional Coverage Extensions (1) Property In Transit is increased from \$ 5,000 to \$ 10,000.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **NAMED STORM DEFINITION**

The following definition is added to this policy:

"Named storm" means a weather-related event involving wind that has been assigned a formal name by the National Hurricane Center, National Weather Service, World Meteorological Organization or Central Pacific Hurricane Center. The term "named storm" includes any organized weather system with a defined surface circulation that has maximum sustained wind speeds of at least 39 miles per hour including tropical storms, hurricanes, tropical cyclones, typhoons and all resultant atmospheric disturbance and weather phenomena. Under the terms of this definition, a "named storm" begins at the time a warning is issued for the area in which the affected property is located and ends 24 hours after the termination of the last watch or warning issued for that area by one of the above referenced entities.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **WINDSTORM OR HAIL LOSS REPORTING LIMITATION ADDENDUM**

Regardless of anything to the contrary in the policy to which this endorsement is attached, the following limitations apply in reference to reporting of claims under this policy:

With respect to loss or damage caused by windstorm or hail, including any named storm, you must give us prompt notice of the loss or damage and include a description of the property involved, and as soon as possible give us a description of how, when and where the loss or damage occurred. In no event may a claim be filed with us later than one year after the date of the loss or damage that is the subject of the claim.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**



Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **EMPLOYEE DISHONESTY**

1. We will pay for direct loss of or damage to business personal property and "money" and "securities" resulting from dishonest acts committed by any of your "employees" acting alone or in collusion with other persons (except you or your partner, officers, directors, trustees or other authorized representatives) with the manifest intent to:
  - a. Cause you to sustain loss or damage; and also
  - b. Obtain financial benefit (other than salaries, commissions, fees, bonuses, promotions, awards, profit sharing, pensions or other "employee" benefits earned in the normal course of employment) for:
    - (1) Any "employee"; or
    - (2) Any other person or organization.
2. We will not pay for loss or damage:
  - a. Resulting from any dishonest or criminal act that you or any of your partners, officers, directors, "member", trustees or other authorized representative commit whether acting alone or in collusion with other persons;
  - b. Resulting from any dishonest act committed by any of your employees (except as provided in Paragraph 1. above), "managers" or directors:
    - (1) Whether acting alone or in collusion with other persons; or
    - (2) While performing services for you or otherwise.
  - c. Resulting from any legal action;
  - d. As a result of voluntary parting if induced to do so by any fraudulent scheme, trick, device, or false pretense. This includes, but not limited to, phishing email, social media scam, mobile device scam, or any other online scam facilitated by cybercriminals; or
  - e. Or where the only proof of which as to its existence or amount is:
    - (1) An inventory computation; or
    - (2) A profit and loss computation.
3. All loss or damage caused by one or more persons or involving a single act or series of related acts is considered one occurrence.
4. The most we will pay for loss or damage in any one occurrence is the Limit of Insurance for Employee Dishonesty shown in the Declarations.
5. We will pay only for loss or damage you sustain through acts committed or events occurring during the policy period. Regardless of the number of continuous or consecutive years this policy remains in force, or the number of premiums paid, no Limit of Insurance cumulates from year to year or period to period.
6. This Coverage does not apply to any "employee" immediately upon discovery by you or any of your partners, officers, directors, or trustees not in collusion with the "employee" of any dishonest act committed by that "employee" before or after being hired by you.

7. We will pay only for covered loss or damage sustained during the policy period and discovered no later than one year from the end of the policy period. Any legal action brought against us under the policy for alleged loss or damage due to Employee Dishonesty must be brought within the earlier of the following:
  - a. One year and one day from the date we accept or reject the claim; or
  - b. Two years and one day from the date of the alleged loss or damage that is the subject of the claim.

For the purpose of this endorsement, the following definitions apply:

1. "Employee" means:
  - a. Any natural person;
    - (1) While in your service or for thirty (30) days after termination of service;
    - (2) Who you compensate directly by salary, wages or commissions; and
    - (3) Who you have the right to direct and control while performing services for you;
  - b. Any natural person who is furnished temporarily to you:
    - (1) To substitute for a permanent employee as defined in Paragraph a. above, who is on leave; or
    - (2) To meet seasonal or short-term workload conditions;
  - c. Any natural person who is leased to you under a written agreement between you and a labor leasing firm, to perform duties related to the conduct of your business, but does not mean a temporary employee as defined in Paragraph b. above;
  - d. Any natural person who is a former employee, director, partner, member, "manager", representative or trustee retained as a consultant while performing services for you; or
  - e. Any natural person who is a guest student or intern pursuing studies or duties, excluding, however, any such person while having care and custody of property outside any building you occupy in conducting your business.

But employee does not mean:

- a. Any agent, broker, factor, commission merchant, consignee, independent contractor or representative of the same general character; or
  - b. Any "manager", director or trustee except while performing acts coming within the usual duties of an employee.
2. "Manager" means a person serving in a directorial capacity for a limited liability company.
  3. "Member" means an owner of a limited liability company represented by its membership interest.
  4. "Money" means United States currency, coins, and bank notes in current use and having a face value. "Money" does not mean any currency, coins, and bank notes issued by governments other than the United States of America.
  5. "Securities" means negotiable and non-negotiable instruments or contracts representing either "money" or other property and includes:
    - a. Tokens, tickets, revenue and other stamps (whether represented by actual stamps or unused value in a meter) in current use; and
    - b. Evidences of debt issued in connection with credit or charge cards, which cards are not issued by you.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **PRE-EXISTING DAMAGE EXCLUSION**

We do not cover any loss or damage directly or indirectly caused by, resulting from or contributed to by any pre-existing building damage at the time of loss insured under this policy.

The above exclusion shall automatically be removed upon:

- a. The completion of all building repairs; and
- b. Written evidence, signed by a licensed general contractor, stating that such building repairs have been completed.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **APPRAISAL**

This endorsement replaces the Appraisal Condition in the coverage form.

### **Appraisal**

If we and you disagree on the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree on an umpire, either may request that selection be made by a judge of a federal court having jurisdiction. The appraisers will state separately the amount of loss, including an itemized determination of (1) the actual cash value for each damaged item included in the claim, and (2) the replacement cost value, if applicable under the policy, for each damaged item included in the claim. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding, and the decision must be itemized as specified in (1) and (2) above. Each party will:

- a. Pay its chosen appraiser; and
- b. Bear the other expenses of the appraisal and umpire equally.

If there is an appraisal, we will still retain our right to deny the claim.

Under no circumstance is appraisal allowed under this policy to determine causation or the existence or non-existence of coverage. Appraisal is also not allowed where coverage for the claimed loss has been denied in its entirety. You cannot invoke appraisal after suit has been filed.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **LEGAL ACTION CONDITIONS ENDORSEMENT**

This endorsement adds the following to LEGAL ACTION AGAINST US elsewhere in the policy:

All matters arising hereunder including questions related to the validity, interpretation, performance and enforcement of this Policy shall be determined in accordance with the law and practice of the State of New York (notwithstanding New York's conflicts of law rules).

It is agreed that in the event of the failure of the Company to pay any amount claimed to be due hereunder, any Named Insured, any additional Insured, and any beneficiary hereunder shall submit to the jurisdiction of a court of competent jurisdiction in the State of New York, and shall comply with all the requirements necessary to give such court jurisdiction. Any litigation commenced by any Named Insured, any additional Insured, or any beneficiary hereunder against the Company shall be initiated in New York. Nothing in this clause constitutes or should be understood to constitute a waiver of the Company's right to remove an action to a United States District Court.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

## CYBER AND COMPUTER RELATED LOSS EXCLUSION

**THIS ENDORSEMENT MODIFIES INSURANCE PROVIDED. PLEASE READ IT CAREFULLY.**

- A.** We will not pay for any loss, damage, expense, or threat, whether direct or indirect, related to "computer data and related equipment":
1. Arising from "computer virus" or "computer hacking";
  2. Caused by the transfer or delivery of covered property from a covered location or your computer to a person or place outside of a covered location on the basis of unauthorized or fraudulent instructions, including but not limited to instructions transmitted by a computer, whether or not owned by you, or via any telecommunications transmission method;
  3. Arising from electrical disturbance including electromagnetic pulse, solar flare, magnetic damage, disturbance of electronic recordings, or erasure of electronic recordings;
  4. Arising from power supply disturbance including interruption of power supply, power surge, blackout, or brownout;
  5. Arising from the failure, malfunction or inadequacy of:
    - a. Such "computer data and related equipment" whether belonging to you or to others; or
    - b. Any products, and any services, data or functions that directly or indirectly use or rely on, in any manner, such "computer data and related equipment" due to the inability to correctly recognize, process, distinguish, interpret, or accept one or more dates or times.
  6. Any actual or alleged loss of goods, money or securities resulting from "Social Engineering"; or
  7. Arising from any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to determine, rectify or test for, any potential or actual problems described in this endorsement.

Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss or damage.

- B.** However, if direct physical loss or damage not otherwise excluded by this policy results, then subject to all of its terms and conditions, we will only pay for the resulting direct physical loss or damage.

**C. DEFINITIONS**

1. "Computer virus" means the introduction of an electronic data processing code or other programming that:
  - a. Results in the deletion, destruction, generation, access, or modification of data;
  - b. Alter, contaminate, corrupt, degrade, or destroy the integrity, quality, or performance of data;
  - c. Damage, destroy, or cause malfunction, inadequacy, degradation, or corruption of any hardware or processing, recording, or storage media used with hardware; or
  - d. Result in the denial of access to or denial of services from your computer, your computer network, or web site.
  - e. Malware, including but not limited to, ransomware, spyware, worms, Trojan Horses, or any other harmful code or similar instruction designed to damage, destroy, disrupt, or gain access to "computer data and related equipment";



2. "Computer hacking" means an intrusion by an individual or group of individuals, whether employed by you or not, into "computer data and related equipment" that can:
  - a. Result in the deletion, destruction, generation, access, or modification of data;
  - b. Alter, contaminate, corrupt, degrade, or destroy the integrity, quality, or performance of data;
  - c. Result in the scanning or copying of data;
  - d. Cause damage, destruction, inadequacy, malfunction, degradation, or corruption of any hardware or processing, recording, or storage media used with hardware; or
  - e. Result in the denial of access to or denial of services from your computer, your computer network, or web site.
3. "Computer data and related equipment" includes the following items:
  - a. Computer hardware, including microprocessors;
  - b. Computer application software;
  - c. Computer operating systems, data, applications, code, or related software;
  - d. Computer networks, including but not limited to network facilities, cloud network, Internet, Intranet, and virtual private networks (VPN);
  - e. Microprocessors (computer chips) not part of any computer system;
  - f. Any other electronic equipment, communications system, or electronic device or components; or
  - g. Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in items a. through f. above. This includes any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to determine, rectify or test for, any potential problems with items listed in a. through f. above.
4. "Social Engineering" means the reliance upon a deceptive misrepresentation which you believe to be genuine.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **COMMUNICABLE DISEASE EXCLUSION**

- A.** We will not pay for loss, damage, cost or expense of any nature, directly or indirectly caused by, contributed to by, resulting from, arising out of, or in connection with a Communicable Disease or the fear or threat (whether actual or perceived) of a Communicable Disease regardless of any other cause or event that contributes concurrently or in any sequence thereto. This exclusion applies whether or not the loss event results in a pandemic or affects a substantial area.
- B.** As used herein, a Communicable Disease means any disease which can be transmitted by means of any substance or agent from any organism to another organism where:
1. The substance or agent includes, but is not limited to, a virus, bacterium, parasite or other organism or any variation thereof, whether deemed living or not; and
  2. The method of transmission, whether direct or indirect, includes but is not limited to, airborne transmission, bodily fluid transmission, transmission from, to or through any surface or object, solid, liquid or gas or between organisms; and
  3. The disease, substance or agent can cause or threaten damage to human health or human welfare or can cause or threaten damage to, deterioration of, loss of value of, marketability of or loss of use of property.
- C.** This exclusion applies to all property coverage under all forms and endorsements that comprise this policy, including but not limited to forms or endorsements that cover property damage to buildings or personal property and forms or endorsements that cover business income, extra expense, action of civil authority, contingent business income, business income and/or extra expense from dependent properties, ingress and egress, or utility services.
- D.** With respect to any loss or damage subject to this exclusion, the application of such exclusion supersedes the application of any exclusion relating to "pollutants".

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number; MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **NEWLY ACQUIRED PROPERTY ENDORSEMENT**

This endorsement supersedes any other coverage that refers to Building and Personal Property coverage for newly acquired property.

"We" extend Covered Property to include real and personal property of the type insured under the policy that is rented, leased, purchased, or acquired by the Insured after the inception date of this policy and is located within the Coverage Territory.

Coverage under this endorsement ceases at the earliest of the following dates:

1. 60 days from the date of rental, lease, purchase or acquisition of such property; or
2. When such newly acquired property is bound by the Company; or
3. When the Company notifies the Insured that it will not bind the coverage for such property; or
4. When this Policy expires or is cancelled.

The most we will pay for loss or damage under this endorsement from a Covered Cause of Loss is \$350,000. This does not increase the Limit of Insurance as stated in the Declarations and applies to all newly acquired property for any one occurrence.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **TOTAL POLLUTION EXCLUSION**

This endorsement supersedes any existing terms, conditions, limitations, exclusions, coverages, additional coverages and definitions regarding "pollutants" within any property coverage forms or related endorsements within this policy.

We will not pay for loss, damage, cost, or expense caused, in whole or in part, directly or indirectly by, resulting from, contributing to, or made worse by, or arising out of or in connection with, the following:

- A.** The actual, alleged, or threatened exposure to, or discharge, dispersal, release, or escape of, "pollutants";
- B.** Testing for, monitoring, cleaning up, treating, removing, extracting, detoxifying, or neutralizing "pollutants" or in any way responding to or assessing the existence, concentration, or effects of "pollutants";
- C.** The enforcement of, or compliance with, any ordinance, law, or governmental direction resulting from or arising out of the actual, alleged or threatened exposure to, or discharge, dispersal, release, or escape of, "pollutants".

Such loss, damage, cost, or expense is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss. This exclusion applies regardless of the size or scope of the exposure to, or discharge, dispersal, release, or escape of, "pollutants".

"Pollutants" means any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned, or reclaimed. "Pollutants" includes any naturally occurring or manmade substances which can cause or threaten damage to human health or human welfare, or causes or threatens damage to, or deterioration, loss of value, marketability or loss of use of, any property. Such substances include, but are not limited to bacteria, virus, nanoparticles, electromagnetic radiation, or other hazardous substances. Hazardous substances include, but are not limited to, those listed in the Federal Pollution Control Act, Clean Air Act, Resource Conservation and Recovery Act of 1976, Toxic Substances Control Act or as designated by the U.S. Environmental Protection Agency.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

Mt. Hawley Insurance Company

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **AMENDED LIMITATIONS**

This endorsement modifies insurance provided under the following:

### **CAUSES OF LOSS – SPECIAL FORM**

The following replaces **C. Limitations 1.c.** in this Coverage Part or Policy.

- c.** The interior of any building or structure, or to personal property in the building or structure, caused by or resulting from rain, snow, sleet, ice, sand or dust, whether driven by wind or not, unless:
  - (1)** The loss or damage is caused by or results from thawing of snow, sleet or ice on the building or structure; or
  - (2)** The building or structure first sustains damage by a Covered Cause of Loss to its roof or walls through which the rain, snow, sleet, ice, sand or dust enters. However, we will not pay for any loss or damage, caused in whole or in part, directly or indirectly by, resulting from, contributed to or made worse by, or in connection with, any of the following causes of loss, regardless of any other cause or event that contributes concurrently or in any sequence to the loss: wet or dry rot; wear and tear; rust; corrosion; decay; deterioration; hidden or latent defect; settling; cracking; shrinking or expansion; or faulty, inadequate or defective planning, design, specifications, workmanship, repair, construction, materials, or maintenance.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

Policy Number: MCP0171500

**Mt. Hawley Insurance Company**  
Peoria, Illinois 61615

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**SERVICE OF SUIT ENDORSEMENT**

It is agreed that service of process in any suit against the Company may be made upon the Superintendent, Commissioner, or Director of Insurance or other person specified for that purpose in the statute or his successor or successors in office as their true and lawful attorney upon whom may be served any lawful process in any action, suit, or proceeding instituted by or on behalf of any Named Insured or any additional insured or any beneficiary hereunder arising out of this contract of Insurance.

The Company hereby designates Craig W. Kliethermes, President,

**Mt. Hawley Insurance Company**

9025 N. Lindbergh Drive, Peoria, Illinois 61615 as the person to whom the said Superintendent, Commissioner, or Director of Insurance is authorized to mail such process or a true copy thereof, in compliance with the applicable statutes governing said service of process in the state or jurisdiction.

**ALL OTHER TERMS AND CONDITIONS OF THIS POLICY REMAIN UNCHANGED.**

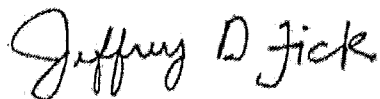


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## SIGNATURE PAGE

In Witness Whereof, we have caused this policy to be executed and attested, and, if required by state law, this policy shall not be valid unless countersigned by our authorized representative.



Corporate Secretary



President & COO